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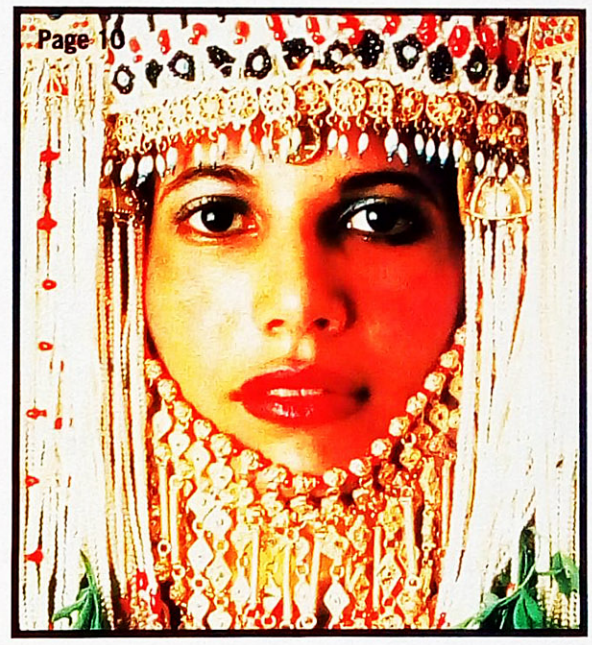

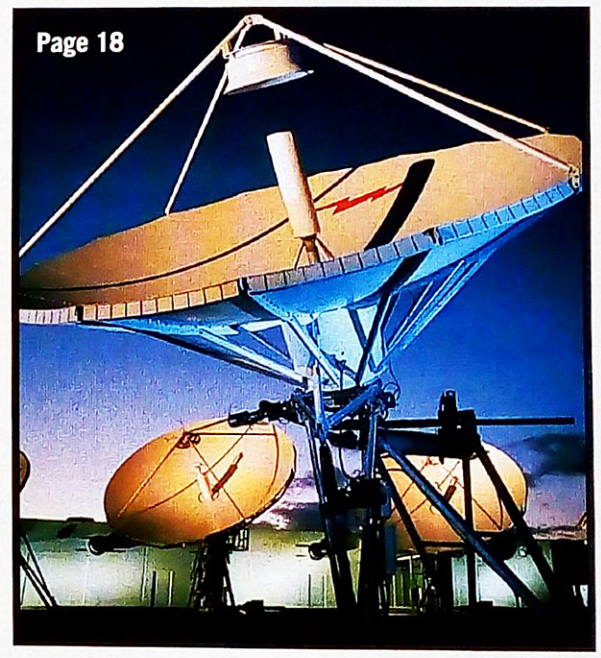

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WORLD **WATCH**

Sketches From Europe

BY JANET STILSON

Over the last two weeks, I've chatted with about 30 different executives — and listened to speeches by several others — during a trip to Europe. Going through my notebook of quotes makes me feel like a pirate with a shipload of bounty. So many of the people I spoke with had such provocative ideas about how the industry and their own businesses will evolve that I wanted to share them with you. Here's a sampling of what they had to say:

What's the new world order for pay TV and telecommunications in the new millenium? A sampling of opinions provides some clues.

"If we are right, by 2010, almost 50 percent of all European and U.S. households will have some form of networking," linking appliances throughout the house.

— Jean-Marie Messier, president of Vivendi S.A., the controlling shareholder of both Canal Plus S.A. and British Sky Broadcasting Group plc

"What we've done in the telephony world, we're going to do in the media world."

— José Antonio Ríos, chairman of Telefónica Media, a new division of the Spanish telco Telefónica S.A.

"Over the next five years, Asia will be one of the most lucrative markets in the world. Even Korea is coming back."

— Jack Waterman, president of worldwide pay TV for Paramount Pictures

"There are 53 million cable subscribers in Europe. And in 2004, there will be 80 million, according to Kagan [World Media]. I think they are a little bit pessimistic."

— Hank de Goede, president of the European Cable Communications Association and CEO of Dutch cable company Casema

Digital-subscriber-line technology "is going to come on strong in the next 12 to 24 months... [However] I don't see a very clear vision for DSL rollout from the telecom companies yet The software and technology revolution has yet to start. The power we can unleash on devices has yet to come."

— Thomas Koll, vice president of the network solutions group at Microsoft Corp.

"No one will remember [what British cable company launched digital] first, only who's best."

— Leigh Wood, COO of the multiple system operator NTL Inc.

"By the end of next year, you'll see that our product is significantly better than anything else available."

— Tony Illsley, CEO of Telewest Communications plc, the other large cable operator in the U.K.

"We'll launch another three channels in Europe in the next six months... We want to take the U.K. model [of creating digital channels] and extend it to other markets."

— Bill Roedy, president of MTV and VH1 International

"In my opinion, in 10 years people will give [some] programming away the way that liquor stores discount chips to sell beer." Ancillary businesses like e-commerce will be the real money makers.

— Jodie McAfee, vice president of marketing, Hallmark Entertainment

"The challenge is to get people to open up to our services and build loyalty. We want to become a utility in the household."

— James Ackerman, CEO of British Interactive Broadcasting, whose Open.... interactive service recently debuted

"Canal Numedia will be IPO'd in the next 12 to 18 months."

— Alex Berger, chairman of Canal Numedia, a newly created offspring of Canal Plus that has been assigned the task of putting together a network of interlinked Web sites and brands, both existing and newly created

Janet Stilson

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BLIPS ON THE SCREEN

A Swiss Channel Survival Technique

TV3's Expedition Robinson

ZURICH

BY CHRIS FORRESTER

When TV3 broke the sound barrier in September by becoming Switzerland's first full-blown private TV channel, it discovered that its most popular program bore an uncanny resemblance to its own situation.

Dubbed *Expedition Robinson*, the program sends two groups of eight people to a remote Malaysian island a la *Robinson Crusoe*. In a version of "last one out is the winner," these 16 Swiss men and women must prove their mettle for 45 grueling days. As the weeks pass, they vote by secret ballot on which of their team members should be sent back home. The final "survivor" wins 50,000 Swiss Francs ($US25,000).

Surviving the Swiss television business is the name of the game for TV3. With plenty of competition from Switzerland's state-owned channels and other services beamed in from Germany, TV3 certainly has a lot on its agenda.

It gets a lot of support from its backers, SBS Broadcasting S.A. — which has established channels from Scandinavia to Eastern Europe — and Swiss publishing outfit TA-Media A.G. And initial reaction seems good.

A media buyer for a Zurich-based ad agency says it's too early to make an overall judgement, "but as a Swiss station, I am pretty sure viewers will react favor-

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Amzak's Tropical Adventure

CENTRAL AMERICA

BY JO DALLAS

Central America is not renowned as a magnet for international cable investments. After all, this tiny isthmus of seven republics that is barely the size of Texas has long been ravaged by violent civil war and economic hardship. It is also home to some of Latin America's poorest people.

But that has not blighted interest in the region at Amzak International. Headquartered in Ft. Lauderdale, Fla., it is the property of a father-and-son team, who in the past managed some 25,000 cable subscribers in eastern Canada. They took the knowledge they honed in that corner of North America, and transferred it south. Today, Amzak has a host of properties in Costa Rica, El Salvador, Guatemala and parts of the Caribbean.

Cable Color of Costa Rica

Amzak is significant today as a predatory big fish in a little pond. It intends to swallow up many of the region's remaining mom-and-pop cable outfits. "We see ourselves as consolidators," says company president Michael Kazma, whose surname, in case it wasn't apparent, is Amzak spelled backwards. To date, Amzak has snapped up some half-dozen small cable companies in Costa Rica, in-

Continued on Page 34

Building Up Brazil

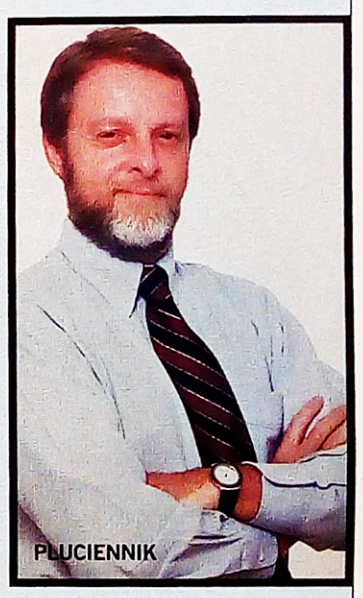
SÃO PAULO

BY MIKE GALETTO

Consider this display of confidence: "If you want to make a broadband play in Brazil, there's only one company. I'm sorry... I'm not sorry, I'm happy."

Such a quote shouldn't be surprising in a country where *o mais grande*, the biggest, is always better. It comes from Moysés Pluciennik, CEO of Globo Cabo S.A., Brazil's leading multiple system operator (MSO), which controls almost 60 percent of the cable market. But, like Brazil itself, there's always something below the surface of what might come off to the casual observer as sheer bravado.

For starters, while Globo Cabo might dominate Brazilian cable, it has barely a million subscribers in a country of more than 150 million people and 38 million TV homes. Attribute that to an on-again, off-again franchise-licensing process and a hobbled economy — factors that have proved almost lethal for smaller operators in Brazil.


PLUCIENNIK

At the same time, Pluciennik, widely known simply as Moysés, is seen as a low-key, plain-speaking executive.

"He's a very private person," says Roger Karman, a Brazilian cable veteran who heads telecommunications consulting firm Karman & Associados. "You don't see him in discussions with the government or giving many interviews."

Maybe that comes from Pluciennik's straight-laced background in computer hardware and software development. But the Massachusetts Institute of Technology graduate's profile is increasing. In fact, Pluciennik is at the front-and-center of Brazil's cable industry today. He's also at the forefront of direct-to-home satellite distribution, with Sky Brasil, the local arm of the panregional platform Sky Latin America, under his charge. Today, Sky Brasil claims more than 400,000 subscribers.

If that weren't enough, Pluciennik is also the recently elected president of a national trade group, the Brazilian Association of Subscription Telecommunications (ABTA). And he's working to assure that Latin America has a voice in technology-standards issues with Cable Television Laboratories Inc. He serves as the region's sole representative on CableLab's board.

Pluciennik's job at Globo Cabo became all the more interesting in August, when Microsoft Corp. agreed to pay $US126 million for an 11 percent stake in the company. Pluciennik describes that move as an "Internet investment," with a Web portal, interactive television and the possibility of Internet-access provision in the pipeline. "The Internet will be an important source of revenue," he says. "We're a multimedia subscriber service."

According to one executive at a multinational equipment pow-

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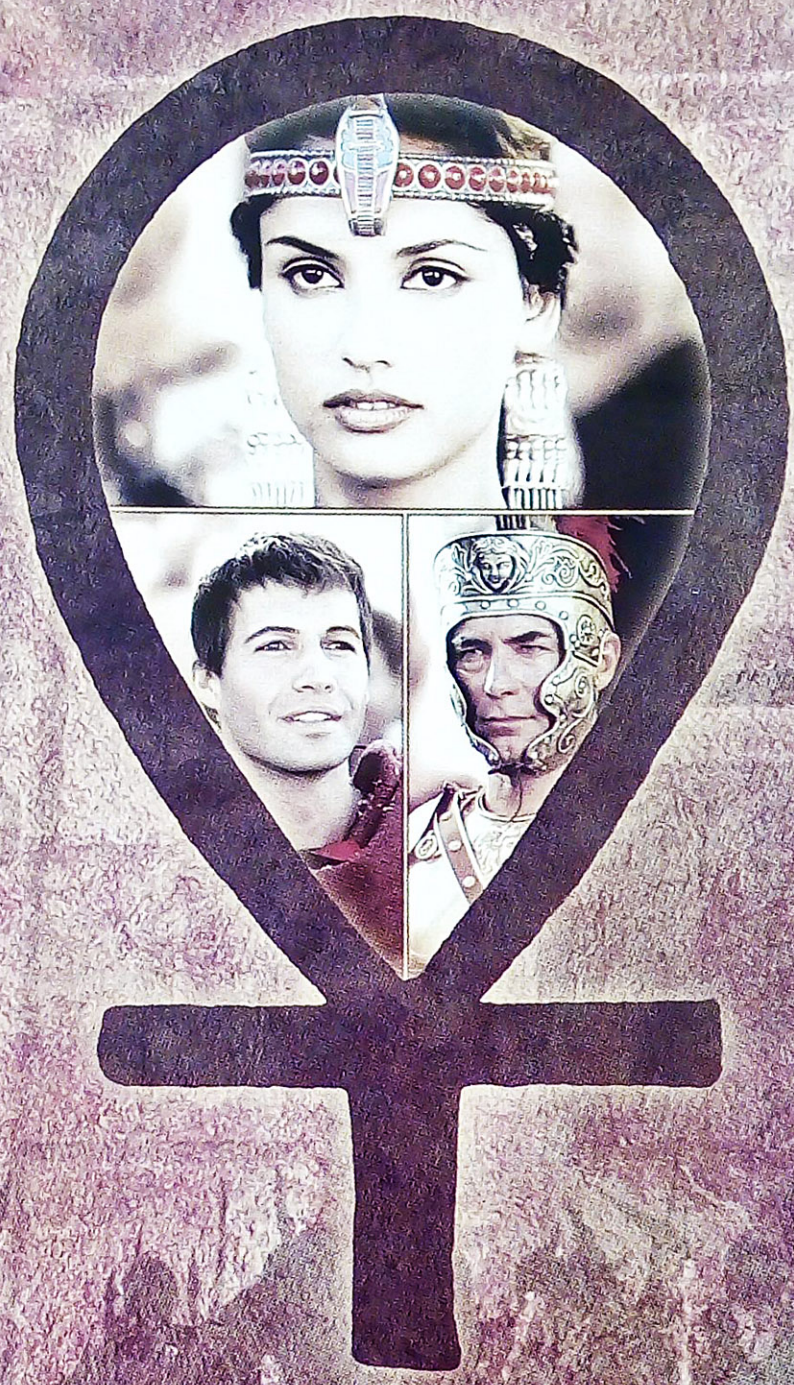

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Getting Tough on Bad Debt

'Pay up, or get out,' is the message India's Doordarshan is sending to payment defaulters

BY MANNIKA CHOPRA

When Rajeev Ratna Shah stood up at a recent committee meeting of the Indian Broadcasters Federation (IBF), he had fighting words on his mind.

Shah, the new CEO of state-run broadcasting company Prasar Bharati Corp. (PBC), posed one big question to the group of executives from satellite-delivered channels, ad rep firms, TV-production houses and the Doordarshan (DD) national network. Were they willing to stand by and do nothing while advertisers and production houses defaulted on their payments to various channels?

Just about everybody knows that the non-payment issue is reaching a meltdown in India. "Figures vary, but it is generally accepted that Doordarshan and various cable and satellite channels are owed around 2.5 billion to 3 billion rupees [$US50 million to $US66 million] annually by defaulters," says Bhaskar Ghosh, general secretary of the IBF.

But while the IBF is still mulling over Shah's question, Shah himself has taken action. DD, which is controlled by Prasar Bharati, has already launched a counter-offensive. Perhaps that's because DD, which is available in 59 million homes in India, is under tremendous pressure from the government to bridge the Rs7.5 billion ($US166 million) gap between estimated expenditures and estimated revenues.

Whatever the provocation, Shah recently issued a stern memo to all defaulting producers and advertising agencies insisting that they pay up their dues or face legal action. Says Shah: "Before these letters were sent out, there must have been Rs1.25 billion [$US27 million] owed to the network by producers and agencies as telecast fees."

SHAH

That's a substantial amount, given that DD's advertising revenues have declined this year and are targeted to reach only Rs3 billion ($US66 million). DD sources state that major defaulters include a couple of leading marketing agencies. Currently, they owe DD over Rs500 million ($US11 million), according to sources.

Shah's letter stated that if pending telecast payments were not made within 30 days by defaulters, they would lose their accreditation with DD as bona fide organizations.

What's more, if the problems persisted, the network would yank their ads and sponsored programs. On top of that, such houses and advertising agencies would be blacklisted for future telecasts.

In order to reduce the outstanding bills, reports K. Kunnikrishnan, a DD secretary in charge of marketing and sales, the network created an installment-payment plan and asked chronic debtors to pay up in advance if they wanted to buy any future spots.

The early results of the draconian measures are in: According to Shah, outstanding fees owed to DD have decreased by 50 percent.

While in theory DD's mission has been welcomed by the industry, there is some doubt over its approach. Nimbus Communications, a leading production house and marketing agency, has just finished paying Rs60 million

Entertaining the Argentines

BY JOSHUA GOODMAN

What's the value of a commercial? Well, as far as Argentines are concerned, it's not just a clever marketing tool, it's a form of entertainment.

And it could be argued that nobody understands this better than Agulla & Baccetti, a Buenos Aires agency. Though most people on the street have never heard of the shop, its award-winning commercials are so beloved that they helped spin off a television program dedicated to the best of Argentine plugs.

Viewers aren't the only ones tuning in. So, too, are the titans of Argentine industry, many of whom have canceled their lavish accounts with more established firms and hired Agulla & Baccetti to help shed their stuffy corporate images. The five-year old firm — founded by partners Ramiro Agulla and Carlos Baccetti — already counts among its clients carmaker Renault Argentina S.A.; leading national brewery Cerveceria Quilmes S.A.; and the Argentine arm of direct-to-home platform Sky Latin America, which is about to launch its service here.

Renault a la Agulla y Baccetti

The agency's formula for success, explains 35-year old vice president and creative director Carlos Baccetti, depends on its ability to push the limits of conventional advertising and respect the natural mistrust consumers have for manipulative marketing ploys. "If we were just another traditional agency producing boring ads, we'd never have gotten so far," says Baccetti, who will be deliver the keynote address at this month's Promax marketing trade gathering in Miami. "The owner is the only one who gets a thrill out of a slogan saying that his company has 100 years of experience."

A typical Agulla & Baccetti commercial delivers a fast punch that easily implants itself on the viewer's mind with its unconventional and bizarre humor. Take, for example the strategy adopted by telecommunications operator Telecom S.A when it set out to improve its image in advance of sector deregulation.

Instead of the traditional pledge of more reliable service and lower fees, something Argentines were reluctant to believe anyway, the Agulla & Baccetti creative team came up with an ad showing mischievous adolescents making prank phone calls. The Telecom campaign was an overnight success and did the trick of giving a more human face to the otherwise-anonymous utility company.

Such risk-taking, Baccetti believes, is what propelled the firm into the ninth spot among Argentine agencies ranked by revenue, and the most honored for its creativity. Indeed, last year alone the firm won 156 awards, including a Golden Lion at the prestigious Cannes International Advertising Festival.

Astrid Bettles, whose Inter-Medios firm sells ad space for HBO Latin America Group channels in Argentina, says that Agulla & Baccetti is already among the top agencies it deals with, and by far the most innovative.

The promise of cheaper rates and the opportunity to target select markets makes cable an attractive testing ground for the offbeat brand of advertising, Baccetti acknowledges. "As a developing media, cable is an ideal venue to experiment, because companies aren't afraid that taking a risk will kill them financially or in the ratings," Baccetti maintains, adding that many of the shop's commercials debuted on cable before they were picked up by broadcast TV. However most clients prefer a mixture of the two media.

Despite Agulla & Baccetti's winning formulas, the overall advertising business in Argentina isn't making life simple for anyone that's involved. The country's nagging recession is, by some accounts the worst this decade, and having an impact on ad spending.

German Rinaldi, sales director for MTV in the Southern Cone region of Latin America, notes that "During a recession, companies have fewer resources to devote to advertising, so they usually launch fewer campaigns and focus on more conservative and secure strategies."

Nonsense, argues Baccetti. "Creativity never loses its appeal, because even in hard times people still want to laugh and feel good," he contends.

The agency's sales track record certainly provides a level of comfort. Revenue has steadily increased since the agency was founded in 1994, and this year it should top the $US60 million mark for the first time after having grown more than 40 percent in 1998.

So what's next for Agulla & Baccetti? Its first priority is to solidify its relationship with the United Kingdom's Lowe Group, which acquired a 20 percent stake of the agency last year, and expand its reach throughout Latin America.

"Lowe is putting in place a Latin American network that is going to greatly enhance our exposure in markets that desperately need more creativity," concludes Baccetti. "And we want to be the ones to deliver that change." ■

($US1.3 million) to DD for advertising spots aired during this year's World Cup cricket series.

To avoid being blacklisted, Nimbus CEO Harish Thawani made sure that he was within the deadline, although he is yet to receive his dues from some of the 200 advertisers that booked space during the series. "I still have substantial monies owed to me from blue-chip companies and leading soft-drink manufacturers," he says. "It's ridiculous that as the marketing agency I am being penalized instead of the advertiser, who's the real obstacle to DD's revenue inflow."

In the crowded world of cable and satellite channels, all anxious to grow their share of the ad-spend pie, it's wise not to pressure advertisers, opines Gopi Menon, senior vice president TBWA Anthem, a leading advertising agency. After all, most channels only have one revenue stream — advertising.

"No channel will blacklist a Pepsi ad even if it has not been paid for over the past five months," he says. "If one channel rejects it, there will be others willing to place it in a prime spot."

Indeed, for fear of upsetting clients, very few channels are even willing to openly admit to the existence of dud advertisers. Without batting an eyelid, L.S. Nayak, senior vice president of advertising sales at News Television India Ltd. — the company that oversees Star TV's operations in India — says, "We at Star have never come across an advertiser who has not paid up."

If nothing else, DD's approach should galvanize the IBF in its attempt to make the business more professional. The body is already in the process of framing regulations that could be implemented within a month.

If passed, then only agencies accredited by the IBF would be allowed to book space on television channels, and any default on payments after a stipulated period would mean across-the-board blacklisting by all the members of the IBF. "Should that happen," fantasizes Thawani, "then it's payoff time." ■

Crossover Dreams and Realities

Media conglomerates tie up their properties in one big package, as they work to build business

BY SUSAN HORNIK

In this more bang-for-your-buck world, it was probably only a matter of time before large media conglomerates started selling advertising across their various divisions. A grab bag of merchandising, magazine ads, sponsorships and, oh yes, TV network commercials could all be offered in one economical package for discerning advertisers. And it wouldn't involve properties in just one country, but entire regions, or the whole world.

To hear some of those corporate giants talk, crossover advertising is starting to take hold in a meaningful way. Among those just exploring the opportunities is Columbia TriStar International Television. "Much of this is new ground for us," says Bob Dahill, vice president of international advertising sales and marketing for the company.

Columbia TriStar has been working on an integrated business model for the past year. And Dahill expects it will start overseas, driven by the company's television channels that include AXN and Sony Entertainment Television, which each have operations in Asia and Latin America.

"We have the resources to meet this marketplace need. Advertisers can come to us for global opportunities that are unique," says Dahill, who notes that "so far, Latin America has been particularly responsive."

Dahill believes that cross-property initiatives are cropping up because "multinational advertisers are looking to work with big conglomerates that can bring multiple assets to an innovative discussion that allows them creative freedom."

However, all is not necessarily rosy when it comes to actually constructing such a deal. Regardless of whether a package is tied to properties in one country or multiple markets, a lot of troubleshooting and coordination are needed for all parties to agree.

"Not many advertisers have one person that can pull different strings," says one media-industry source, who asked not to be named. "Although many advertisers are enthusiastic when they look to do cross-promotional ideas across all media, we have noticed that there is a lot of red tape to go through."

This has definitely been an impediment to progress. "The idea, however, is to look at old problems in a new light," the source says.

One company that's found plenty of light at the end of the tunnel is News Corp. One, a division of News Corp. that pushes cross-property sales. Louise Cardwell, News Corp. One's vice president of media marketing, has found success as a "one-stop shop" for United States advertisers that are looking to work with multinational divisions. "We implement an ambitious plan using print, broadcast, Internet, film, home video, in-store, licensing [and] merchandising," she says. "Every division gets behind the deal."

News Corp., which has been cross-selling its media properties for a year, has not yet put together an international deal. "We are learning how to put the deals together for the overseas markets," says Cardwell. "We hope that by this time next year, we will be able to utilize our properties worldwide."

Recently, News Corp. worked with Nokia A.B. Oyj to help the company make "a big multimedia splash" at the Primetime Emmys. "We ran advertising on Fox Broadcasting, in stores, *TV Guide* — on online, print and the TV Guide channel — and helped Nokia facilitate the sponsorship of the Governor's Ball by giving every attendee a Nokia phone. Nokia could not believe how many News Corp. divisions got involved in this media buy," enthuses Cardwell.

By streamlining the corporate structure of media companies, these strategic marketing partnerships can help the advertiser get on the road faster, says David Levy, president of Turner International Advertising Sales. He notes that Turner has been active on this front for five years. "Our organization is perfectly set up to do these types of global and regional deals," he says.

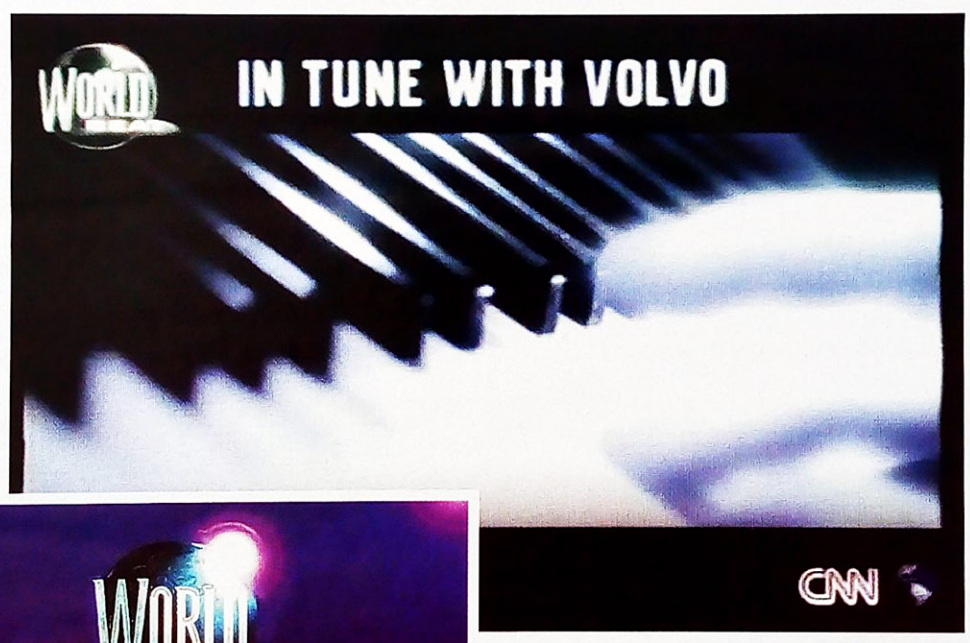
Turner has implemented a so-called global-clients solutions group, whose key initiative is "to help create marketing platforms and understand their demands," explains Levy.

Among the advertisers that have picked up on the opportunity is Volvo A.B. The car company bought avails on CNN International's *World Beat* show, which is seen throughout Latin America, Asia and Europe. As part of the deal, it also had advertising on the CNN Web site CNN Interactive, in Time Inc. magazines, and on the CNN Airport Channel in the U.S.

"We are in the second year of a three-year deal with Volvo, who underwrote the series and is our exclusive sponsor," says Levy.

Turner also implements regional marketing platforms for its advertisers. CNN's *China Now* special had an extensive print package in Time Inc. magazines, and included sponsors such as Nortel Networks Corp., Panasonic and Beijing Plaza Tourism. In addition, the special had a Web site and interactive-advertising component.

It goes to show, "if you have the right ideas, advertisers are interested," says Levy. ■



Volvo is sponsoring CNN International's *World Beat* as part of a larger package deal.

National Geographic Television's *Jerusalem: Within These Walls*. The non-fiction programmer is partnered with NBC and two News Corp. units.

the mysterious mating game

Analyzing some matches made in heaven—and others made in hell—provides some clues on what makes partnerships work.

By James Careless

IT WAS, BY ALL ACCOUNTS, A MARriage made in hell, and the divorce couldn't come soon enough. No, these aren't the chronicles of Tommy Lee and Pamela Anderson. We're talking about News Corp.'s Star TV and one of India's dominant pay TV programmers, Zee Telefilms Ltd. (ZTL). In October, the two severed a stormy business partnership and went their separate ways.

Like all partnerships — and marriages — the two got together with the best of intentions. After all, Star TV had lots of money and a burning desire to enter the Indian market. Zee Telefilms, meanwhile, had a fine stable of channels, a cable operation and a program-production unit.

However, by the end, the two were barely speaking to each other. Having squabbled over money and lobbed accusations of infidelity — specifically over Star TV's broadcast of Hindi programming, which moved ZTL chairman Subhash Chandra to file a breach-of-contract suit — the only answer was a divorce. The settlement: Star TV received $US296.5 million in cash and ZTL shares, while Chandra took control of the once jointly owned channels.

"Isn't it a nice thing that an Indian company has been able to do such a thing?" Chandra told *Multichannel News* correspondent Rashme Sehgal. "This move will create an Indian media conglomerate."

ZTL wasn't the only Star TV partnership to end in heartache. A year earlier, Star TV broke off its relationship with PT Datakom Asia, operator of Indonesian pay TV service Indovision. And those failures probably won't be Star's last, either, given the general nature of media alliances.

While some partnerships in the land of pay TV have been very successful, the whole phenomena of media alliances could be likened to Elizabeth Taylor's marital track record. Even firm friends like Playboy Entertainment Group Inc. and Cisneros Television Group have experienced trials and tribulations.

However, their problems didn't have to do with their own relationship. Quite the opposite, in fact. To hear their executives talk, since jointly launching Playboy TV in Latin America a few years ago, Playboy and Cisneros have gotten along like a house on fire. Things have gone so smoothly that last December, Playboy and Cisneros announced the formation of Playboy TV International L.L.C. The joint venture, 80 percent owned by Cisneros, owns and is launching new Playboy and Spice channels worldwide.

"We were dating for a while; the dating went so well we decided to live together," explains CTG's chief operating officer Jay Sharer. "Then we said, 'We like living together. Let's make it official and get married.' And that's really the way we approached it."

In fact, Cisneros and Playboy only ran into problems when other partners were involved. At the British version of The Playboy Channel, the two decided they had to buy out stakes held by longtime partners British Sky Broadcasting Group plc (BSkyB) and Flextech plc and manage it alone. And that's exactly what they did.

These are just a few examples of failed business partnerships. By digging just a bit, one can find many, many more littering the globe.

So what went wrong? What causes partnerships to fail? Well, there's a common thread that runs through these examples, and indeed all failed partnerships. Fundamentally, they all died because, at some point, the partners didn't have some crucial quality in common.

That quality might be as basic as not sharing the same business philosophy or management style. It could also involve an inability to weather crises in a similar fashion, with one company retreating while the other tries to hold firm. It might even be a lack of shared goals, with one partner apparently looking out for mutual interests, while the other is concerned only with itself. Whatever the specific cause, it's clear that failures occur when partners stop being partners in one way or another.

Take the Star TV-ZTL breakup. In this case, there was a clash of strong business strategies, with Star TV pulling one way, and ZTL pulling the other. And even an attempt to end the power struggle by merging the two — and handing managerial control to Chandra — only made matters worse. That's because the two couldn't agree on how much Star TV should have paid for acquiring a 50 percent stake in Chandra's companies, which span networks, amusement parks,

an advertising agency and a multimedia unit. According to reports, ZTL's chairman had wanted $US250 million, while Star TV was willing to fork over just $US50 million. Small wonder both sides were relieved once the divorce was final.

As for Star TV and Indovision, their partnership failed because the two couldn't come up with a common business strategy, according to Star officials. That didn't seem to be the case in 1995, when Star TV agreed to manage the Indonesian platform and supply it with programming. By mid-1998, this amounted to 11 channels, or about half of Indovision's total lineup.

However, times had changed since the two joined forces. Specifically, the Asian financial meltdown had pounded Indonesia, and the social upheaval that followed led to the resignation of the country's president.

It was little wonder that Indovision's subscriber base was stuck at 35,000. With no growth, and none likely in the near future, the two partners had some tough decisions to make. Star TV's preference was to cut spending and tough things out, says Bruce Churchill, deputy CEO of Star TV. "Given the environment, the strategy ought to be one of maintaining a foothold in the market," he says, "not expecting to really make any money at it in the short term, but building a beachhead so that when the time came that the market began to turn around, you were clearly the perceived leader and had a base to build off of."

However, Indovision would buy none of this, Churchill recounts. Instead, he says, the former partner "wanted to take a much more aggressive approach, spend a lot of money and aggressively go after new markets." Star TV wanted to steer clear of such risk, he adds.

Relations between the two partners "kind of came apart at the seams," Churchill continues. By late October 1998, Indovision had locked Star TV employees out of its Jakarta headquarters. Soon after, in December, the two announced that their three-year partnership was terminated. Star TV subsequently pulled its channels off of Indovision, and the platform had to scramble to find replacements.

Differing opinions over management was also at the heart of the British Playboy breakup. Playboy and Cisneros didn't think their distribution partners were giving Playboy's programming the attention it deserved, says Playboy Entertainment Group president Tony Lynn.

"Both of those companies are managing dozens of networks, but none of them are pay-per-view. Few of them are [premium]; they're primarily basic services," he explains. "We felt Playboy wasn't a business that was well-suited to the way they normally do business, and that we'd be better served doing it ourselves."

Having answered why some partnerships fail, the next obvious question is: Why do others succeed? In the case of Cisneros and Playboy, the partnership works because their executives appear to see eye to eye on most things.

"You need to have a shared business philosophy, and that really has to permeate both companies," explains Sharer. "It can't just be, 'Oh, our stated goal is grow.' That's not a shared business philosophy. It's the way you approach your marketplace. It's the way you think about marketing and branding. It's the way you try and adjust to local markets."

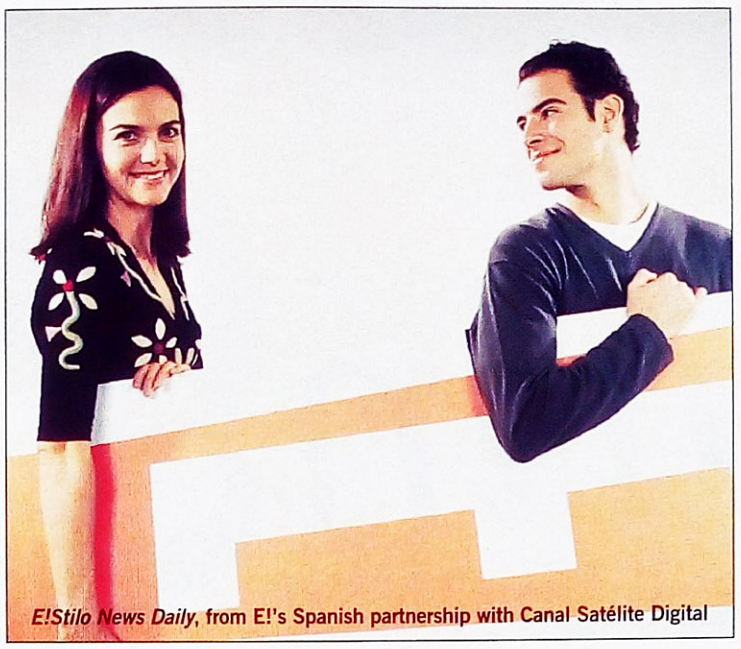
Jon Helmrich, E! Entertainment Television's senior vice president of international development, lends some further perspective:

RODRIGUEZ

"One of the challenges of finding the perfect partner is the balance of their style, as well as their expertise. You're going to spend a lot of time working with these people, and how they approach the business is as important as how they perform the business."

That's why E! tends to look to its existing partnerships when considering new ventures, says Helmrich. In fact, "many times our partner ends up being someone that we've been selling to or producing with over time." Among E!'s channel allies are HBO Olé Partners in Latin America, Canal Satélite Digital in Spain, and the Eastern and Central European programming group Zone Vision.

Just as E! has sought out local partners for its various channels, so, too, is localism at the heart of


E!Stilo News Daily, from E!'s Spanish partnership with Canal Satélite Digital

Richard Callahan's partnership strategy. The U S West veteran is president and CEO of Callahan Associates International (CAI), a Denver-based company with a desire to own cable systems in Europe's five largest markets. It already has 6.2 million European franchise homes.

Local companies are very much a part of CAI's alliances in French MSO Numéricable, Spanish operator CableEuropa, and its ongoing attempt to win some of the cable systems that Germany's Deutsche Telekom A.G. is unloading.

But localism isn't the only ingredient in Callahan's recipe for partner success. "The first thing we look for is capital," he says. Second, "it's always great if we can get marketing and branding." Third, "we want some ability to influence the government, both local and federal." And fourth, "we look for people with partnership skills, and people to put in the business."

Star TV's Churchill adds another thought: "You have to spend the time in terms of management and people to make it work. Don't set up a partnership arrangement where the only time you ever talk to each other is when there's a problem."

Spending time was certainly key for South Africa's MIH Holdings Ltd. when it won a much-sought-after alliance with Chinese media regulator, the State Administration of Radio, Film and Television (SARFTV) to build that country's very first direct-to-home platform. MIH's task involved the supply of set-top decoders to 100,000 rural settlements — home to about 200 million people — to receive the platform, dubbed China Broadcasting Satellite TV (CBTV).

According to some sources, MIH didn't win the mating game because its products were vastly superior to those of competition. Rather, MIH succeeded because it invested considerable time and money in building a relationship with the Chinese.

"MIH probably took a huge loss on this because the villages have no money," says a source. "But it was a very good step to get closer to the government, because the government knew they were committed to the [Chinese] marketplace, and committed to their mandate. MIH and Chinese officials "have a very close relationship, from what I understand," the source adds.

> "Don't set up a partnership arrangement where the only time you ever talk to each other is when there's a problem."
>
> *— Bruce Churchill, deputy CEO, Star TV*

The amount of time MIH invested to woo the Chinese government is probably nothing like what went into making one of international pay TV's most heralded marriages: the joint venture between the British Broadcasting Corp. and Discovery Communications Inc. It took almost two years of negotiations before a contract could be inked, says Bob Wise, senior vice president of Discovery/BBC Ventures.

But, he says, that shouldn't be construed as a negative. "By the time we finally got the contracts signed ... we ended up constructing a framework for the relationship that really took into account each of our needs," Wise points out. "Had we not done so, I think the odds are extremely good that the deal would have fallen apart very soon afterwards, because once you've got those contracts signed, you are committed. And if you're committed to an unstable structure, those cracks are going to show up pretty quickly."

Wise says the time has really paid off. "The channels we've launched are tracking pretty on or ahead of business plan, and our programming joint venture is moving along at a very good clip. We've hit our targets in terms of our first year's volume of investment, and program output," he says.

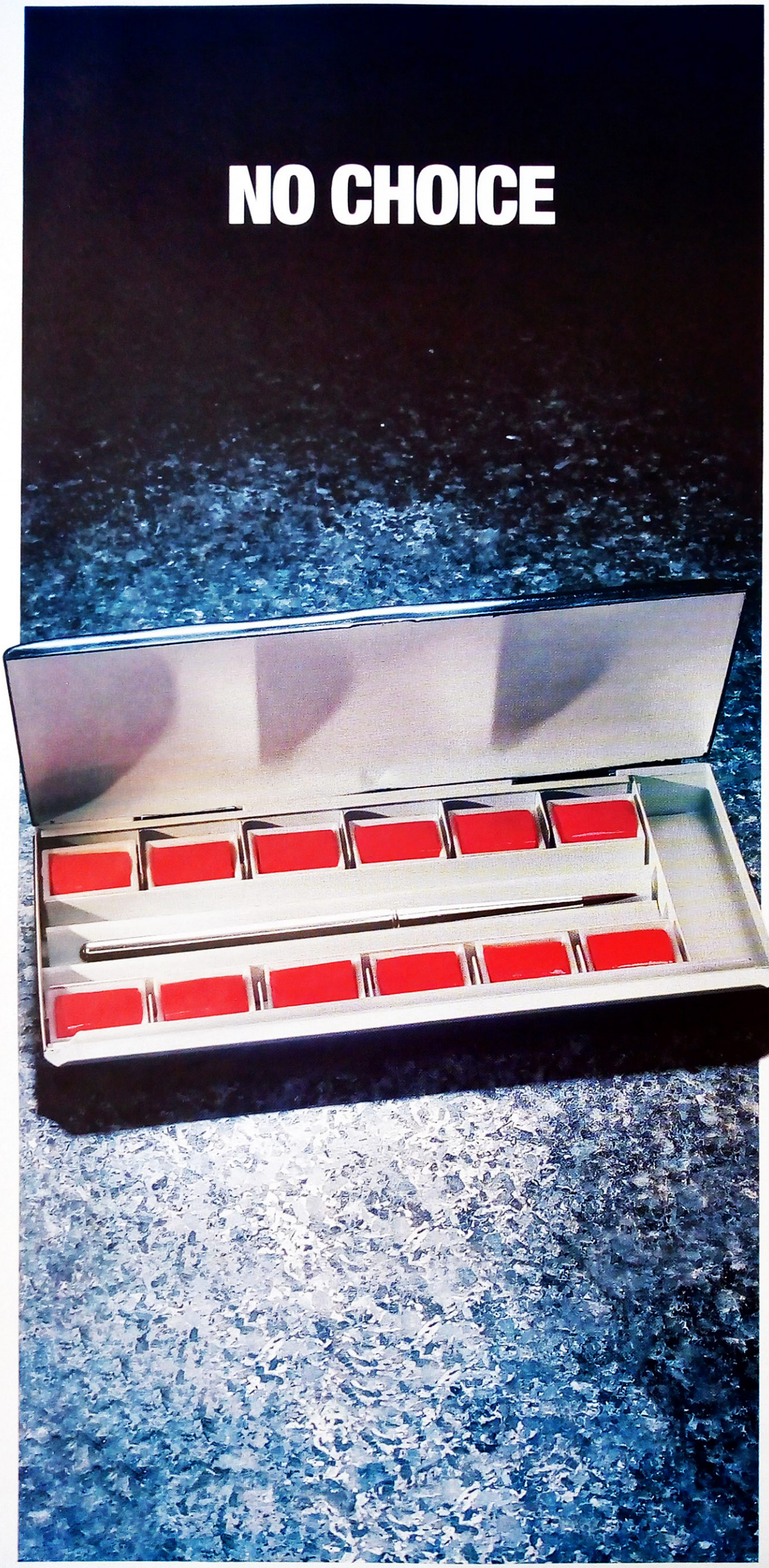
Another couple of matches that are apparently working out well can be found at National Geographic Television. It initially hit the jackpot a few years ago when it joint ventured with NBC on National Geographic Channel. More recently, another heavyweight, News Corp.'s Fox Entertainment Group, joined the alliance.

In many respects, like Cisneros and Playboy, National Geographic had moved in with Fox before they were hitched. Fox corporate sibling BSkyB, 40 percent owned by News Corp., was already a partner in the British version of the channel.

But there's more. "Fox presents an interesting array of assets," explains National Geographic Ventures president Rick Allen. "Around the world they've got distribution opportunities because they've got so many platforms." But there's Fox's corporate personality to consider as well, according to National Geographic sources. They point out that while both Fox and NBC have stables of channels all over the world that help smooth the way for National Geographic, the two media heavyweights have different characteristics.

In keeping with News Corp. chairman Rupert Murdoch's style, Fox is very aggressive and is apt to take quicker action than NBC when opportunity presents itself, the sources say. And with a channel in its own home country — the United States — still just a dream, Fox seemed like a really good horse to ride into town.

No matter who you talk to involved in creating partnerships — or maintaining the ones they already have — everyone clearly has the best of intentions. Sure, everyone is aware of the dark side of the matrimonial state. They only have to look at ZTL and Star TV — or to Tommy and Pamela — for examples. Perhaps the prevailing attitude is best summed up by Rick Rodríguez, senior vice president of programming and production for Discovery Networks International. "We're looking for marriages, not affairs," he says. ■



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BARCLAY'S MEDIA BANK

AT THE BEGINNING OF THIS DECADE, BARCLAY KNAPP HADN'T INVESTED ONE PENCE IN THE UNITED KINGDOM. But as the '90s come to a close, the American has emerged as one of the leaders in the market's telecommunications and media industries — at a time when the whole country is a test bed of digital services.

NTL Inc., of which he is president and CEO, is the dominant British multiple system operator (MSO), controlling about two thirds of the market. His hard-charging, decisive manner helped reinvigorate a once-moribund cable industry, as NTL played a central role in a whirlwind of consolidation that left the country with just two operators. The Nebraska-raised Knapp has made enough of an impression on the British business community to be ranked No. 16 on London's *Sunday Times* "Power List" of the country's most important business and government officials, outpacing household names such as Virgin Group plc chairman Richard Branson.

In July, Knapp gave everybody something else to talk about when NTL, in a $US13 billion deal, swiped rival MSO Cable & Wireless Communications plc out from under the nose of Telewest Communications plc. In a recent interview with *Multichannel News International* editor Janet Stilson and managing editor Mike Galetto, Knapp spoke about where his company in headed in Europe — as well as in the Pacific Rim. An edited transcript of that conversation follows.

MULTICHANNEL NEWS INTERNATIONAL: You were once quoted as saying that you have such a strong management team, you have the ability to pick up a different toy every day. What's your favorite toy at this point in time?

KNAPP: I think broadband is still pretty exciting in the U.K. We're just now in the launch phase of digital cable, but with a better and more interesting feature than what's going in the U.S. The U.K., unlike the U.S., is not a retrofit situation. And so the boxes we're putting out in the field are the latest-generation stuff. The things that we're working on in terms of enhanced TV, interactivity and those kinds of things are pretty exciting.

MNI: Can you elaborate on that a bit?

KNAPP: Enhanced TV is probably the most interesting. That's where we can actually insert URLs [universal resource locators] into the broadcast stream.

One of the channels we're working with is Discovery. Say they have a documentary on sharks. We can insert URL's for their Web page that is devoted to shark information, or shark literature or whatever. So, as the picture is coming down the cable, it's accompanied by these Web pointers. The box stores them, and when the subscriber pulls up a pop-up menu with the keyboard we provide, and hits the info button, the information they're getting to see is pointing them toward a shark page.

We've got relationships now with almost 130 information providers of all sorts.

MNI: We didn't realize that you were doing that amount of experimenting in-house at NTL.

KNAPP: Yeah, we built something called the digital media center, which is unique in the U.K. It's like a super-headend, but it also sits right on top of our fiber optic network. And because we're the major satellite-transmission provider, it sits right in the midst of our ability to bring in TV channels from all over the world.

It's like this giant control room, and we can do a URL insertion and video collection and the digital-TV programming all from a single headend, and then ship it out on our

fiber optic network — which is nationwide — to each of the individual sub-headends in the system.

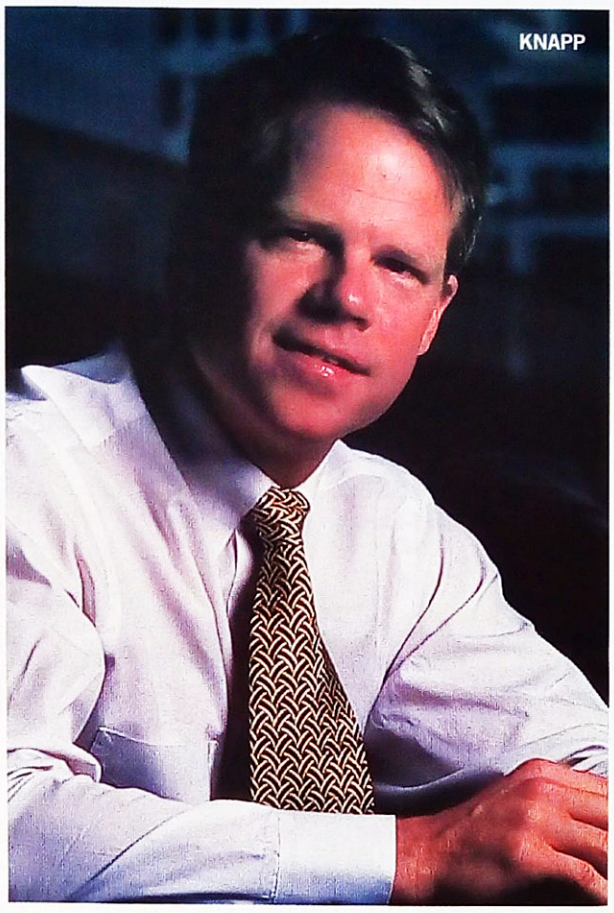
MNI: Given all that, do you have any interest in investing in programming entities?
KNAPP: We do. I'd say a wide-ranging but not hugely aggressive stance. What we have been doing is picking our spots. On just the regular channel side we have a joint venture with Telewest to do pay-per-view, where we deal directly with the studios. We own 100 percent of an entity called British Eurosport, which is actually a joint venture with Eurosport, where we're sort of Anglicizing the content for the U.K. market.

MNI: You teamed with France Telecom S.A. to buy Cable & Wireless Communications (CWC). How will your relationship with France Telecom evolve?
KNAPP: We kind of purposely left discussions about the Continent for a later time. At this point, it looks like we will certainly seek to see where we can work together.

In some cases, they have already established telecommunications activities in certain markets, and they will probably just continue on. But I think there is a pretty good prospect for us to work together on some of the new acquisitions that are coming up around the Continent in the cable space.

MNI: Do you have any interest in going after the Deutsche Telecom A.G. systems?
KNAPP: We put an indication of interest in. I think that, along with almost everybody else, we have concerns about the market structure there. We're all going to have to wait and see how they sort that out.

MNI: You've certainly done your expansion in the U.K. Can you give us your overall vision of what you ultimately would like to see there, in terms of the number of subscribers and the extent of your holdings?
KNAPP: In cable, we will pass 12 million homes out of the 18 million homes with our network. In the older systems,



"I think the seeds that we laid down [with advertising] are going to start paying off big, because now we're talking about …3 million-plus subscribers nationwide."

we've achieved a 45 percent-plus pickup rate. And the way we bundle our services together, virtually all the subscribers take those services.

We can price them extremely competitively, not only individually, but when you bundle them together they are just terrifically competitive. So, we would like to think that we can extend that early success throughout the entirety of the 12 million or so homes that we are going to eventually pass.

NTL also has a very extensive business-telecoms business, which grew up just alongside its consumer business and is probably equal in terms of eventual scale and size. And finally, we have a broadcast-transmission business, which is No. 1 in the country. In a lot of ways, NTL is already what AT&T Corp. wants to become: a full-service provider of both residential- and business-telecommunications services across all of the platforms.

MNI: What about expanding into cellular in the U.K.?
KNAPP: They're going to auction five new licenses in the U.K. next year, and I believe we're certainly going to show up at the auction and see what happens.

MNI: How would you characterize your interest in Telewest? You appeared quite interested over the summer, but have seemed to pull back a little. Now, Telewest has a relation to [European MSO United Pan-Europe Communications N.V.]
KNAPP: There's no real activity going on. We all have ties to UPC. Microsoft, at the same time they invested in us in January, invested in UPC, so there are common shareholders. And we all bump into each other at various things and have little conversations, but there's nothing really active right now.

MNI: What are you working on with Microsoft?
KNAPP: First of all, we have, obviously, a generational plan for our set-top boxes; they're having a little problem with that. Our first generation is not including Microsoft, but we expect the following generations to include their stuff. We also are eyeing the digital-terrestrial market, where we provide boxes — our own boxes — that are specially equipped

NTL's Crawley Court control room

to also offer interactive services, and we're working very strongly with Microsoft on that front as well.

MNI: Would that compete with [British digital-terrestrial TV platform] ONdigital?
KNAPP: It wouldn't matter. We would actually provide the boxes in order to get the customer's telephone and Internet service. If they wanted to subscribe to ONdigital, it's kind of a pass-through. In that case, we're actually helping ONdigital, in a sense.

MNI: You have sort of a card that you're holding in digital-terrestrial multiplex SDN, because you have the ability to offer a type of DTT service yourself, don't you?
KNAPP: Yes, SDN probably has four or five channels worth of capacity. And we've been working both independently and with ONdigital to come up with the right strategy for those channels. That's probably an accurate description; it's a card, it's not really enough to be totally independent, and yet it would probably make sense to do something with ONdigital with that spectrum.

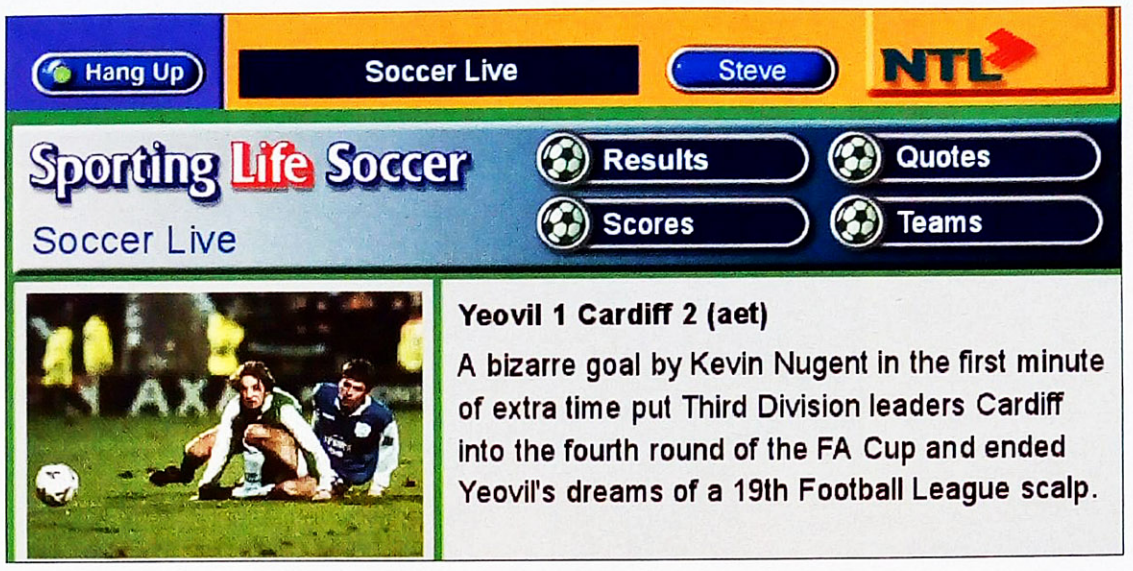
MNI: You recently bought the Australian transmission-tower business that the government sold. What are your plans there, and how much of the move was based on the country going to digital broadcasting?
KNAPP: Every privatization will have two elements, and one will be that the government wants to cash in its chips.

The second is that they need the money and the expertise to change over to digital broadcasting, and every country in the world except for the U.S. is going to a multiplex strategy.

We are probably one of the two or three companies in the world that do this for a living, and have actually set up and have a digital-broadcasting system running. So, Australia was definitely played because we know the transmission business is a good business. We hope to roll out digital services there.

That division of ours is shopping worldwide right now for those kinds of opportunities, and I think both developed and developing countries will be privatizing these things pretty quickly as we go along.

MNI: Do you expect that when you make your move into more markets that it will be by way of the transmission end of the business or direct investment in systems?
KNAPP: On the cable and broadband front, we're restricting ourselves to the U.K. and the Continent, and even on the Continent we're picking our spots sort of north and west. In transmission, though, we may go anywhere — Asia, South America, Europe — wherever the opportunities are.


Hang Up
Soccer Live
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Yeovil 1 Cardiff 2 (aet)
A bizarre goal by Kevin Nugent in the first minute of extra time put Third Division leaders Cardiff into the fourth round of the FA Cup and ended Yeovil's dreams of a 19th Football League scalp.
NTL hopes to gain in interactive sevices.

MNI: Are there any plans to spin out the transmissions business?
KNAPP: Yes. We have actually commented that we are looking at ways of doing two things. One is recognizing the value of that business within our company. And second, it should and can support its own financing, so therefore, we have looked at a couple of alternatives.

At this point a partial spinoff or a partial [initial public offering] seems to be the best route, and probably somewhere around the beginning part of the next year.

MNI: What is your interest in investing in UPC?
KNAPP: (Laughs). Is that a trick question? I know [UPC CEO] Mark Schneider very well, and they're doing a lot of the same things on the Continent I would say that we are [in the U.K.].

I would think that there's really an aspect for cooperation down the road, and one of them takes the form of a joint venture, or investment or whatever.

We're open to all sorts of suggestions. We haven't really overlapped that much yet, so therefore, there hasn't been a big impetus to try to work something out.

MNI: You've been an aggressive and well-regarded high-yield bond issuer. Will you continue to tap the high yield markets?
KNAPP: I don't think we'll be high-yield anymore, because we're getting pretty close to investment grade. I think the debt markets have been superb to us in a lot of ways.

You probably could say that NTL would never have gotten into its position if there hadn't been a robust high-yield market through the years. But the capital structure is changing over a little bit now, so we are going to be a modest debt issuer in the future.

MNI: The rollout of digital on NTL in the U.K. is being delayed slightly. Can you tell us why?
KNAPP: It's not necessarily that it's being delayed. We decided to make it more of a stealth project. Right when ONdigital launched, BSkyB [British Sky Broadcasting Group plc] came back with huge advertising in response.

In our case, there is no barrier to us rolling it out. We prefer to go very low key, stick the package under our salespeople's arms, so to speak, send them out on the road, knocking on doors, trying to sell the stuff, and adjusting our plans as we see the results. So it's not been delayed so much as we went more towards our usual guerrilla tactics rather than the big bang.

CWC did a very large scale digital launch in Manchester. Since they had sort of telegraphed that move for a long time, BSkyB really blitzed the market. We had scheduled a big launch for Glasgow, and cancelled it, and in turn decided to go underground a bit. We've now started quietly selling in several of the markets.

MNI: In other words, going more on the grassroots level door-to-door, as opposed to a big flashy marketing campaign.
KNAPP: Right. And I think that allows us to do a couple of things. That allows us to adjust and get it right, which we did back in 1994.

Before we came up with this big-bang marketing program, we tried about 10 different things in all of our markets, and we're doing the same thing now — playing with services, playing with bundles, playing technology, too. Depending on what we find two or three months from now, we may come back with the big splash.

MNI: What do you see as your main sources of revenue from digital services?
KNAPP: I think there will be an increased access fee. What is the right increase in the access price? Is it £5, is it £10 over and above our base price?

Secondly, I think that both from existing channels, as well as from [near video-on-demand], we will get higher average revenue per customer. The increased choice will drive up buy rates. On interactive, we make money both from the transactions, as well as from the advertising, so I believe that in our case, certainly in the U.K., our average revenue per subscriber is going up. The other big one is advertising, and that's really more of a scale factor in our case.

MNI: There are very few systems companies in Europe that [sell] advertising, and you're the only one that does it in-house.
KNAPP: Well, we're laying down the roots. Part of the challenge in advertising in the U.K., as we found out, is knowing the market.

There is this perception that local advertising isn't good, or it's not worth it or whatever. And we hear all the advertisers complaining bitterly about there being no outlets and that all they have is national TV or national newspapers. I think the seeds that we laid down are going to start paying off big, because now we're talking about having lots of ads to sell to 3 million-plus subscribers nationwide, and that's a big audience.

MNI: When will NTL post a profit?
KNAPP: Not for a while. (Laughs.) I mean, bottom-line profit is probably out in the 2003-2004 timeframe, as we've always discussed. We are cash-flow positive today, and we'll be more strongly so when we add in CWC. ■

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What do all Top Chinese Media Executives Read?
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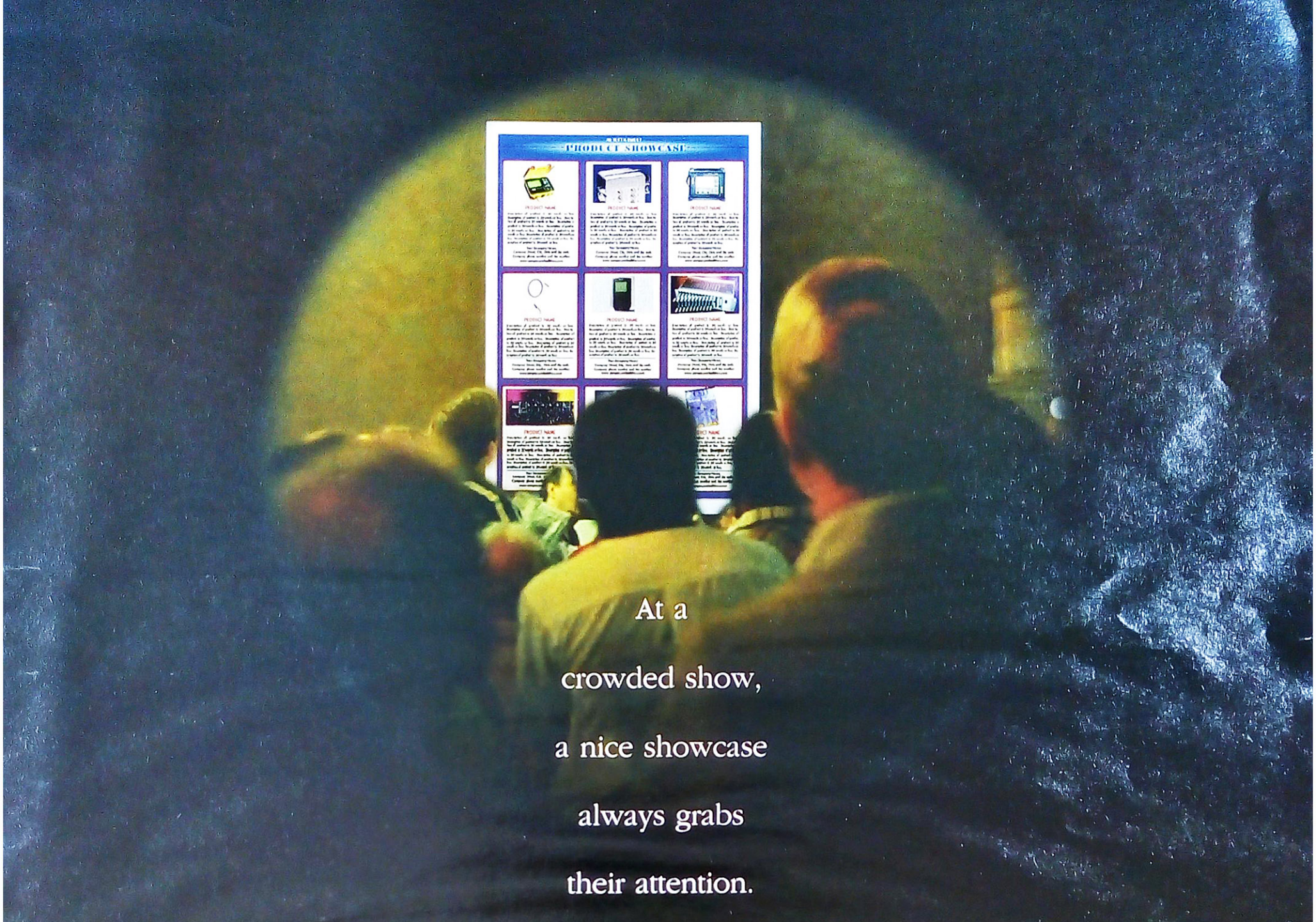

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Televisa's Pay TV Retrenching

Mexico's media giant is channeling resources and new services into its pay TV business.

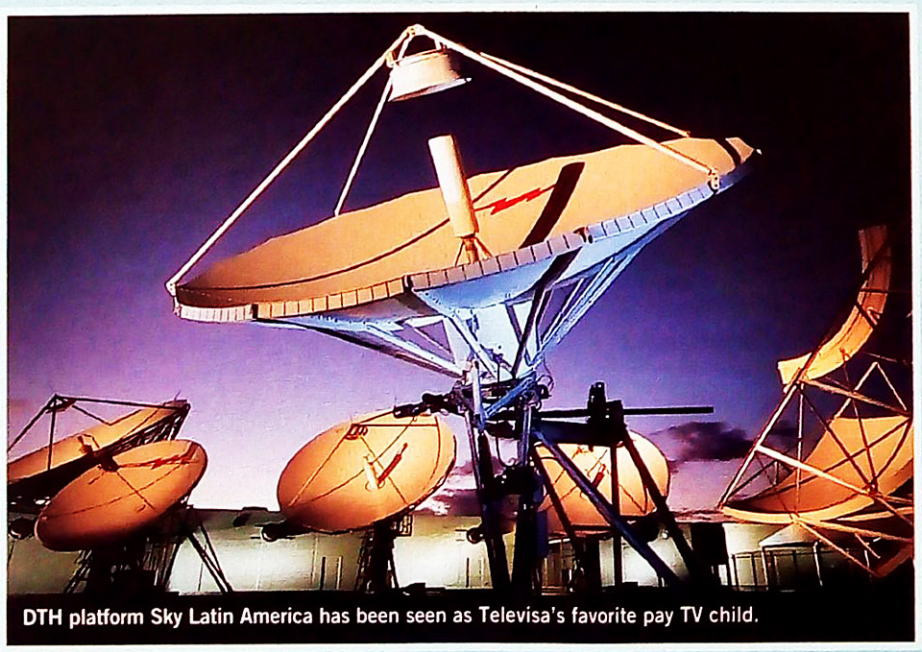
BY JO DALLAS

IN FAIRY-TALE TERMS, GRUPO Televisa S.A. has historically played the mean stepmother who has treated her cable systems business, Cablevisión, like a poor little Cinderella. She may be a hard worker, contributing a worthwhile, yet small, sum to the family purse. But Cinderella has never been particularly well liked or cared for.

That, at least, is the opinion of many observers who have followed the fortunes of the mighty Mexican media conglomerate. But there are plenty of reasons for Televisa's behavior. After all, why should it pay much attention to pay TV when it is the world's biggest producer of Spanish-language programming, the owner of four domestic broadcast networks, radio and publishing assets, not to mention soccer teams and a record label?

It's not that Televisa doesn't appreciate the potential of pay TV. It threw its full weight behind digital direct-to-home (DTH) satellite TV when, four years ago, it partnered with News Corp., among others, in the groundbreaking venture called Sky Latin America. Televisa's commitment to Sky on both the Mexican and panregional levels involves a yearly investment of $US100 million, certainly nothing to sneeze at.

In the past, Sky may have appeared the younger and sexier of Televisa's pay TV daughters. But Cinderella, alias Cablevisión, at last appears to be getting some attention. Tens of million of dollars are going into upgrading its infrastructure to a fiber optic network with at least 550 megahertz of capacity, set to offer a range of multimedia services, including Internet access. In some ways, it is a logical development, since 49 percent of Cablevisión is owned by Mexico's top telco, Teléfonos de Mexico S.A. (Telmex).



DTH platform Sky Latin America has been seen as Televisa's favorite pay TV child.

What is significant, however, is that these changes are coming now, after a restructuring process that involved the strategic placement of key executives. Earlier this year, Pablo Vázquez Oría moved from the affiliate-relations side of Televisa to become Cablevisión's new director. And he's brought with him a fistful of new plans for expansion.

"We are making big efforts to improve [Cablevisión's] image and customer service," Vázquez says. "Over the next four to five years, we want to have about 750,000 subscribers, and about 25 percent to 30 percent of those with digital [set-top] boxes." Currently, Cablevisión has about 350,000 subscribers.

A construction crew at Telmex, one of Cablevisión's investors

Prior to Vázquez's promotion, there was also another significant executive shift. Jorge Alvarez Hoth extended his mandate as head of Sky Mexico to become the director of a newly created pay TV unit, Televisión por Paga, where his mandate is to create synergies and efficiencies.

Indeed, efficiency has been something of a watchword echoing through the corridors of Televisa over the last five or so years. The company set upon its modernizing mission back in the mid-1990s when it began slashing its payroll from 23,000 to the 15,000 that it employs today. It has also been driving hard to create cost efficiencies in other ways by selling off pieces of its business that are not directly related to media. And today it treats each division as a separate stand-alone business.

For example, it has eliminated the practice of advertising cross-subsidies across different media divisions. That means that Cablevisión is now in charge of its own advertising efforts, and can no longer rely on patronage from advertisers that spent money with it in the past just to receive free commercials on broadcast TV, according to a report from J.P. Morgan Securities Inc.

In some ways, though, it is something of a hard pill to swallow. The J.P. Morgan report attributes this procedural change to the unit's modest revenue declines in 1997 and 1998, despite strong increases of 22 percent and 21 percent, respectively, in Cablevisión's customer base.

Many of the cost-cutting drives began before the creator of the modern-day Televisa, Emilio Azcárraga Milmo, passed away in April 1997. However, his son and heir, Emilio Azcárraga Jean, has diverged little from that course since becoming president of the company. He's won widespread praise from Wall Street for his commitment to fiscal discipline. This followed initial worries that the 31-year-old did not have the Midas touch of his father, widely known as *El Tigre* (The Tiger), who built the company into the media powerhouse it is today.

Azcárraga Jean may still have a long way to go to prove he's anywhere near as good as his father. But already he has shown that he can get results with the help of his senior management. Among them, chief financial officer Gilberto Pérezalonso and chief operating officer Jaime Dávila are considered the visionaries. Crucially, on the broadcast side, Televisa over the last couple of years has managed to claw back a significant chunk of ratings points and market share that it lost to broadcast rival Televisión Azteca S.A.

That's not the only unit on the upswing. In Mexico, Sky has been surging ahead of its DTH rival, Galaxy Latin America's DirecTV. Currently in Mexico, Sky has more

Continued on Page 36

Multichannel NEWS International

1999 Guide to U.S. Pay TV Programmer Web Sites

This year's guide to the Web sites of U.S. multichannel programmers is probably our biggest yet, with an extensive look at both the major networks and their corporate parents. Think of it as a tangible roadmap for an electronic world. And our own growing Web site is at **www.multi-international.com.**

Many thanks to Leslie Goff, who researched this year's Web guide.

NATIONWIDE PROGRAMMERS

A&E Network
www.aetv.com

ABC
abc.go.com

American Movie Classics
www.amctv.com/home.html

Animal Planet
animal.discovery.com

BBC America
www.bbcamerica.com

BET Action PPV
www.msbet.com/actionppv

BET Movies/STARZ!
betmovies.encoremedia.com/

BET Network
www.msbet.com

The Biography Channel [d]
www.biography.com

The Box
www.thebox.com

Bravo
www.bravotv.com

Cartoon Network
www.CartoonNetwork.com

CBS
www.cbs.com

Cinemax
www.cinemax.com

CMT:Country Music Television
www.country.com (Community site)

www.country.com/cmt/cmt-f.html (Network site)

CNBC
www.cnbc.com

CNN
cnn.com

CNN/Sports Illustrated
cnnsi.com

CNN en Español
cnnenespanol.com

CNNfn
cnnfn.com

CNN Headline News
CNN.com/HLN

Comedy Central
www.comedycentral.com

Court TV
www.courttv.com

Discovery Channel
www.discovery.com

Discovery Health Channel
www.discoveryhealth.com

Discovery Showcase Networks [d]
www.discovery.com/sched/otherchannels.html

Disney Channel
disney.go.com/DisneyChannel

DMX
www.dmxmusic.com

E! Entertainment Television
www.eonline.com

Encore Channels Action
action.encoremedia.com

Encore
encore.encoremedia.com

Love Stories
lovestories.encoremedia.com

MOVIEplex
movieplex.encoremedia.com

Mystery
mystery.encoremedia.com

STARZ!
starz.encoremedia.com

STARZ! Cinema
starzcinema.encoremedia.com

STARZ! Family
starzfamily.encoremedia.com

STARZ! Theater
starztheater.encoremedia.com

True Stories
truestories.encoremedia.com

WAM! America's Kidz Network
wam.encoremedia.com

Westerns
westerns.encoremedia.com

ESPN (all properties)
espn.go.com

Food Network
www.tvfood.com

Fox Family Channel
www.foxfamilychannel.com

boyzChannel [d]
www.bchannel.com

Fox Kids
www.foxkids.com/fk2000

girlzChannel [d]
www.gchannel.com

Fox News Channel
www.foxnews.com/channel/

Fox Pay-Per-View
www.foxppv.com

Fox Sports Network
www.foxsports.com (Community site)

www.foxsports.com/fsn (Network site, portal to regional channels)

Fox Television Network
www.foxworld.com

fJX
www.fxnetworks.com/

fXM: Movies from Fox
www.fxnetworks.com/fxm/index.asp

Galavision
www.galavision.com

Game Show Network
www.spe.sony.com/gsn/index2.html

Golf Channel
www.thegolfchannel.com

GoodLife TV Network
www.goodtv.com

Great American Country
www.countrystars.com/index.html (Community site)

www.countrystars.com/gac.html (Network site)

HBO
www.hbo.com

Health Network
www.thehealthnetwork.com

The History Channel
www.HistoryChannel.com

History Channel Intl. [d]
www.HistoryInternational.com

Home & Garden Television
www.hgtv.com

HSN
www.hsn.com

Independent Film Channel
www.ifctv.com

INSP: The Inspirational Network
www.insp.com

Inspirational Life [d]
www.insp.org/i-life

International Channel
www.i-channel.com

Lifetime Movie Network
www.lifetimetv.com/onair/pg/lmnpg.html

Lifetime Television
www.lifetimetv.com

Kaleidescope
www.ktv-i.com

The Learning Channel
tlc.discovery.com

The Movie Channel
www.showtimeonline.com/TMC

MSNBC
www.msnbc.com (Community site)

www.msnbc.com/news/MSNBCCABLE_Front.asp (Network site)

MTV
www.mtv.com

MuchMusic USA
www.muchmusic.com/usa

NBC
www.nbc.com

Nickelodeon
www.nick.com

Nick-at-Nite
www.nick-at-nite.com

Nick GAS
gas.nick.com

Noggin
www.noggin.com

Odyssey
www.odysseychannel.com

Outdoor Channel
www.outdoorchannel.com

Outdoor Life
www.greatoutdoors.com (Community site)

www.greatoutdoors.com/oln/index.html (Network site)

Ovation
www.ovationtv.com

PaxTV
www.paxtv.com

Playboy TV
www.playboy.com (Community site)

Network Site, www6.playboy.com/entertainment/pbtv (Network site)

QVC
www.qvc.com

Recovery Network
www.recoverynetwork.com

Romance Classics
www.romanceclassics.com

SCI FI Channel
www.scifi.com

The Scandinavian Channel
www.scanchan.com

Showtime
www.showtimeonline.com

Showtime Event Television (SET) Pay-Per-View
SHO.com/scboxing

Spice and Spice 2
www.cyberspice.com

Speedvision
www.speedvision.com

Style
www.eonline.com/Style

Sundance Channel
www.sundancechannel.com

TBS Superstation
tbssuperstation.com

Telemundo
www.telemundo.com

The Television Games Network
www.tvgnetwork.com

TNN
www.country.com/tnn/tnn-f.html

TNT
tnt.turner.com

Toon Disney
disney.go.com/DisneyChannel/ToonDisney

The Travel Channel
travel.discovery.com/travelhome.html

Turner Classic Movies
tcm.turner.com

TV Guide Channel
www.tvguide.com

TV Guide Interactive [d]
WWW.tvguideinc.com/interactiveframe.asp

TV Guide Sneak Preview
www.tvguide.com

TVKO
www.tvko.com

TV Land
www.tvland.com

United Paramount Network
www.upn.com

Univision
www.univision.net/home.htm

USA Network
www.usanetwork.com

VH1
www.VH1.com

Viewer's Choice
www.ppv.com

WBTV
TheWB.com/home2/index.shtml

The Weather Channel
www.weather.com/homepage.html

WGN
www.wgntv.com

ZDTV
www.zdnet.com/zdtv

Z Music Television
www.zmusic.com

Zoog Disney
disney.go.com/DisneyChannel/ZoogDisney

NOTE:
[d] designates digital networks

CORPORATE WEB SITES

A&E Television Networks
www.aetv.com/corporate

Adelphia Cable Communications
www.adelphia.net

BET Holdings
www.msbet.com/content/live/1032.asp

www.bet.com

Comcast Corp.
www.comcast.com

Cox Communications
www.cox.com

Discovery Communications
http://www.discovery.com/about/who.html

Encore Media Group
www.encoremedia.com

ESPN Inc.
espn.go.com

The E.W. Scripps Co.
www.ewscripps.com

Gaylord Entertainment Co.
www.gaylordentertainment.com/main.html

Hearst Corp.
www.hearstcorp.com/ent.html

Inspirational Networks
www.insp.org

Jones International Ltd.
www.jones.com

Liberty Media Group
www.libertymedia.com

MediaOne Group Inc.
www.mediaonegroup.com

NBC
www.nbc.com/aboutnbc

News Corp.
www.newscorp.com

Fox Entertainment Group
www.newscorp.com/public/irfox/index.html

Paxson Communications
www.paxtv.com

Playboy Enterprises Inc.
www6.playboy.com/corporate

Playboy Entertainment Group
ww6.playboy.com/corporate/about/index.html#entertainment

Rainbow Media
www.rainbow-media.com

Sony Pictures Entertainment
www.spe.sony.com/corporate_facts_index.html

Time Warner Inc.
www.timewarner.com

Tribuene Co.
www.tribune.com

Turner Broadcasting
www.turner.com

TV Guide Inc.
www.tvguideinc.com

Universal Television & Networks Group
www.seagram.com/lines_of_business/entertainment.html#tv_networks

Univision Communications Inc.
www.univision.com

Viacom Inc.
www.viacom.com

Walt Disney Co.
disney.go.com/home/channels/disneyatoz

Warner Brothers
www.warnerbros.com

REGIONAL NETWORKS

Comcast Sports Net
www.comcast-spectacor.com/frame.asp?main=networks.asp

Empire Sports Network
www.empiresports.com

Home Team Sports
www.htsonline.com/indexreturn.cfm

MSG Network
www.msgnetwork.com/msgflash.html

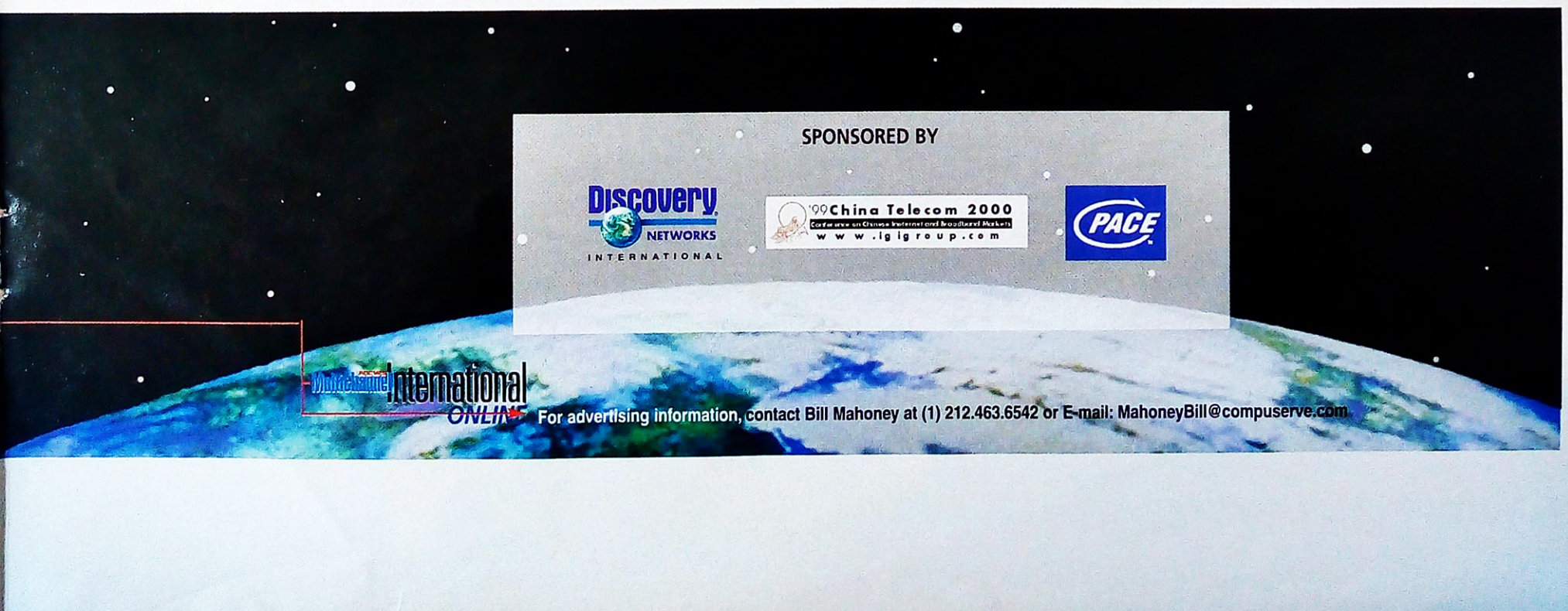
New England Cable News
www.necnews.com

News 12 Networks
www.news12.com

NY1
www.ny1.com

SportsChannel Florida
www.sportschannelflorida.com

Sunshine Network
www.sunshinenetwork.com



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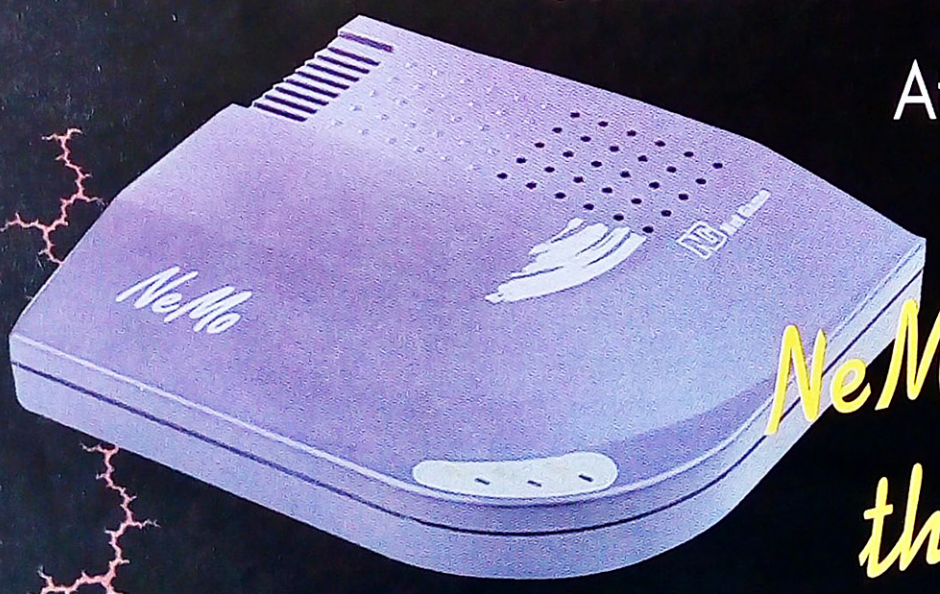

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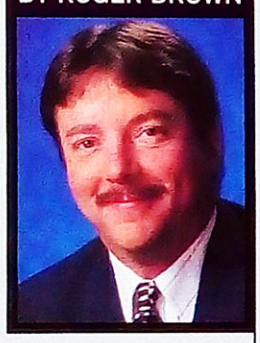
A Tech Milestone

BY ROGER BROWN



IN SYNC

It's probably too soon to tell for sure, but the pending merger of General Instrument Corp. and Motorola Inc. may be looked back upon as a watershed event for the global cable-television industry. That's not simply because of it's size. (It's the largest merger in the broadband industry since that of Lucent Technology and Ascend Communications Inc.) The $US11 billion marriage of the two companies gives Motorola — a world-class manufacturer with a global presence — immediate access to an industry that has grown impressively in the United States, and finally appears ready to come out of its shell in many other regions.

"It gives us world scale," GI CEO Ed Breen said of the merger at last month's European Cable Communications '99 convention in London. He also commented that the well-known Motorola name will have a significant impact on both consumers and cable operators around the globe. "That brand name is going to be very important to us. Somewhere down the road, you need a name that's known all around the world."

Breen, who acknowledged that the international cable industry represents a "market opportunity that's at least seven times the size of North America," also believes Motorola's worldwide manufacturing capability will enable the new cable-TV sector of Motorola to respond faster to customer needs. "If I need manufacturing capacity in a certain region, it's a good bet Motorola already has some available," Breen noted.

Without that ability, Breen is certain GI would have only been able to grow a step at a time. Now, he's convinced the new group is ready to grow exponentially. Although the deal hasn't been consummated, it's already paying dividends. United Pan-Europe Communications N.V. announced at the ECC its intention to purchase 250,000 Digital-Video Broadcasting-compliant digital set-tops from GI, and deploy them throughout many of its markets. The set-top, like its ATSC cousin, features three different tuners, allowing customers to watch television, surf the Internet and use the telephone all at the same time. Importantly, it will also use an operating system from Microsoft Corp., marking one of the first boxes built by a North American manufacturer to do so.

It's this adherence to standards that will ultimately change the paradigm for North American manufacturers and enable them to sell their devices at retail locations. In the past, of course, this was impossible because cable operators feared that hackers would defeat their security schemes and force them to implement a costly set-top replacement program. To date, it's often been a struggle for companies like GI and Scientific-Atlanta Inc. to break into certain world markets, while companies like Pace Micro Technology plc, Philips Electronics N.V. and others grew in size and stature by catering to the special needs of local cable operators. Now — thanks to the merger with Motorola, adherence to international standards and the ability to port third-party software — GI appears to be ready to take competition to a global scale. When that occurs, cable operators the world over will reap the benefits.

Global Players Knuckle Down

The Operators' Motto: Be Prepared for the New Year

BY CRAIG KUHL

Spanish operator ONO already has participated in a government-led Y2K test.

For global telecommunications and cable companies preparing for glitches related to Year 2000, or Y2K, Jan. 1 can't arrive soon enough. But at the same time, the companies much rather prefer that the New Year not come at all.

The insidious nature of the Y2K bug — which is expected to see older computer processors confuse 2000 with 1900 — is forcing cable operators, telecommunications companies and multimedia services around the world to examine their entire organizations. They're also eyeing their vendors' and customers' businesses, from top to bottom, to ensure that Y2K will not shut them down.

Most global companies report a fairly high level of confidence in their Y2K readiness and contingency plans. Many have implemented Y2K strategies, having developed them years in advance, and are disseminating pertinent information with regular updates via vendor and company Web sites and other media.

Yet concerns remain among many international cable and telecommunications executives, who fear that their smaller, less sophisticated cable systems and ven-

Continued on Page 32

Network-Access Debate Rides Winds Into Canada

BY ROGER BROWN AND JAMES CARELESS

The politically charged battle between cable operators and regulatory authorities has spilled over from the United States to Canada, amplifying an already loud squabble.

Cable operators that have funded the construction of their networks — and in many cases the content that runs across them — are at loggerheads with regulators and consumer-advocacy groups who insist that third-party Internet-service providers (ISPs) be allowed to ride on cable's broadband pipeline.

The issue has received widespread attention in the U.S., where cable operators are under pressure from America Online Inc. and other large ISPs that have convinced local regulators that people will be disadvantaged if those cable networks are allowed to arrange exclusive carriage deals.

And while the issue is making headlines in the U.S., Canadian regulators have taken it one step further by mandating that cable operators sell their high-speed service to third-party ISPs at a price 25 percent below what they charge retail customers. The fear is that cable operators will garner a de facto monopoly on the market because they control networks that can support high bit-rate services, such as the streaming of audio and video content over the Internet.

Regulators mandated that operators sell their service to ISPs at 25 percent below what they charge retail customers.

All this came about as a result of lobbying by the Canadian Association of Internet Providers (CAIP), which represents 112 Canadian ISPs. The group accused Canada's cable industry of deliberately delaying "open access," as third-par-

Continued on Page 28

Diverse Industries Unite to Combat Piracy

Despite lots of debate, the debut of copyright 'watermark' detectors is on the way

BY HANK HOGAN

Burbank, California, is a land dominated by movie stars and the studios that help make them famous. But it's also where the digital future of consumer electronics, cable TV and satellite communications will be strongly impacted.

It is there where the Copy Protection Technical Working Group (CPTWG) is hammering out the technical details of how to protect ownership of digital content when it would otherwise be so easy to lose.

Specifically, the CPTWG has been concentrating on ways to embed copyright information directly into a video stream, a process knows as digital watermarking. The technology is a key component to thwart potential pirates, and it's about to see the light of day, according to CPTWG participants.

"I think by the middle of next year — certainly by Christmas, but probably the middle of next year — you will see recording devices with watermarking detectors built in that can enforce the copyright message embedded in the watermark by the content owner," predicts Mark Belinsky, senior vice president of business development for Macrovision Corp., a company that develops such software.

TWO FACTIONS

Macrovision is just one member of the CPTWG. An ad-hoc group of content providers, computer companies and consumer-electronics firms, the CPTWG has been wrestling with the problems presented by pristine digital content. On one end stand consumer-electronics and computer companies, which are charged with delivering content and want something as simple and inexpensive as possible.

On the other side are content providers, who want as much security as possible. Studio executives on the CPTWG acknowledge that they're worried about the digital future for two reasons. For starters, a digital copy, unlike an analog one, is a perfect duplicate of the original. With no degradation, spotting a copy is more difficult. It's also harder for a consumer to justify the expense of purchasing an original.

The second studio concern is the Internet. With the advent of broadband technology, such as cable modems, it's become practical to download entire movies. More worrisome to studio execs is that the technology makes it possible to post movies for all to see. Thus, there is the specter of a $US100 million movie being rendered worthless because a pirate posted it on a Web site. That may sound dubious, but studio representatives who sit on the CPTWG point to the example of pirated digital music and the impact it has had recently.

BELINSKY

The consensus is that digital watermarking and the copy protection built upon it are key to the protection of digital content. Alan Bell, director of digital media strategy and standards for IBM Corp.'s Internet division, is co-chair of the CPTWG. He says that embedding information directly in the video stream is key for a fundamental reason.

"Any process, or standard or form that respects the quality of the video image will also automatically protect and preserve the delectability of the watermark signal," he notes.

Thus with digital watermarking, content could be ported around an in-home network. Content could run on different playback boxes, without compromising the security studio executives deem crucial.

DUELING PROPOSALS

The rub is that the CPTWG has actually produced two watermarking proposals. One was developed by what is known as Galaxy group, consisting of IBM, along with the likes of NEC Corp., Hitachi Ltd., Sony Corp. and Pioneer Corp. The second was developed by the Millennium group, consisting of Macrovision, Oregon-based Digimarc Corp. and Dutch consumer-electronics giant Philips N.V.

According to IBM's Bell, both proposals were subjected to scrutiny from people blessed with so-called golden eyes. These individuals are among a small group of humans who are skilled at detecting artifacts and imperfections in video images. Studio executives note that it was important that digital watermarking not degrade the visual image. Both proposals met this challenge, even when compared side-by-side to versions without the watermark.

The key, notes Bell, is that digital watermarking only requires replacement of a few bits of information per video frame. Just which bits are swapped out for the watermark depend upon the frame itself and the human eye. Researchers have built models of human perception, and which bits are replaced depend on these models. For example, changing a few bits in a crowded scene is not something people notice, whereas swapping bits out on a uniform blue background is more easily detected. By applying rules about which bits to replace, it is possible to slip the watermark information into every video frame without degrading the image.

As long as the entire frame bit stream is reproduced, the watermark will remain. It won't matter

Continued on Page 26

Estimated Losses Due to Piracy

	1998	1997
Motion pictures	$US1.8 billion	$US1.8 billion
Recorded music	1.8B	1.3B
Business applications	4.7B	4.8B
Entertainment software	3.4B	3.2B
Books	0.7B	0.7B
TOTAL	**$US12.4B**	**$US11.9B**

SOURCE: International Intellectual Property Alliance

Music Provides Beat for Video to Follow

While the film industry has been wrestling with the emergence of digital content, the music industry has been fighting its own battles. However, for the music industry the situation is much worse in some ways.

For instance, the recording industry has had to contend with the widespread use of MPEG-1, Audio Layer 3. Widely known as MP3, it is a compression scheme that turns a minute of CD-quality music into a megabyte of data. This tenfold reduction in size makes it possible to move an entire song, or an entire album, over the Internet. And that's just what has been happening, as people use software and broadband connections to become music sources and pirates.

The recording industry has been fighting back through legal and technical means. The legal weapons have been lawsuits, or the threat of them, to take down pirate Web sites. The technical attack has come through the Secure Digital Music Initiative (SDMI). Like the effort in the movie industry, SDMI is a collaborative effort between content producers, consumer-electronics companies and computer manufacturers. The secure part comes from copy protection and a means for artists and music labels to receive payment for their work.

As part of its copy protection, SDMI will make use of digital watermarks to embed copyright information. The idea is to eventually create a new kind of music store, a virtual one rather than a bricks-and-mortar one.

"You get in a relationship with that Web site, you authenticate yourself, you download, you pay, and so on," SDMI executive director Leonardo Chiariglione explains.

These efforts seem to have alleviated some of the concern the recording industry initially had about digital music. There is still a long way to go, although the first SDMI-compliant devices are expected to be on store shelves by Christmas.

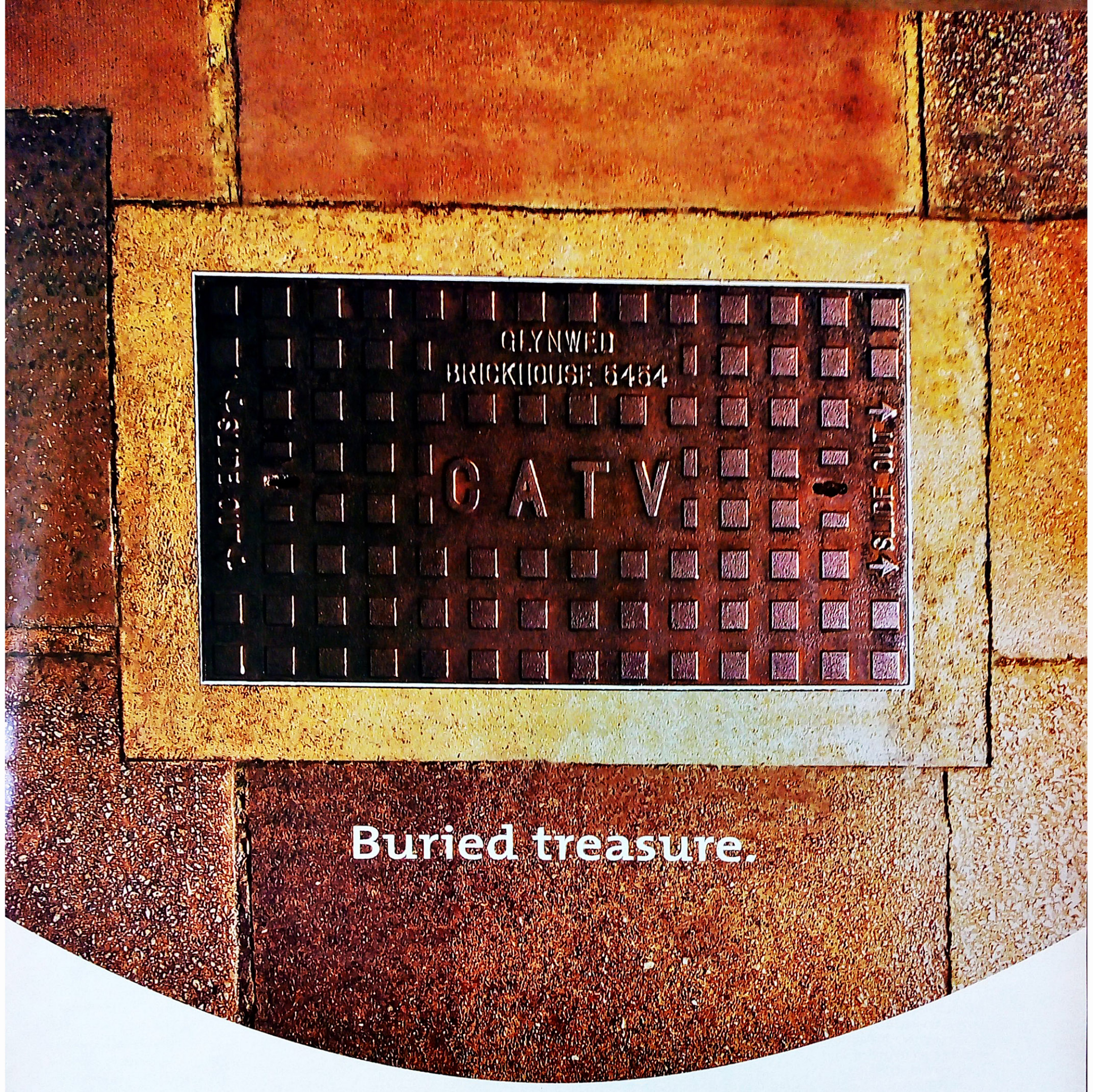
The new music store model is already being tested by IBM and a host of recording companies in San Diego, Calif. The package includes both music and album graphics, delivered to consumer's homes. According to Ed Downs, vice president of advanced technology at IBM's Internet division, San Diego was chosen because the city already had a robust consumer-broadband network. Downs notes that some of the value models being tested are unlimited play and record once, unlimited play and unlimited record, timed availability, and limited number of plays.

As for how long the trial will run, Downs expects it the virtual music store to be up through the end of 1999 and at least part of 2000. Indeed, he says the trial will continue as long as the recording companies desire.

Currently, music is played back through a PC, although it is possible to write the music out to a CD. Music, unlike movies, is something that consumers consider portable, and manufacturers must keep that in mind.

As Downs notes, "People aren't going to be strapped to their PC."

— Hank Hogan



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Piracy,

Continued from Page 24

if the frame becomes a still image, is converted to analog, or is piped around a network. Thus, the copyright and any content restrictions are now part of the video image itself. This is the added security that studios have been demanding.

As for the cost, Bell offers several benchmarks. In terms of computing power, the burden of detecting and processing watermarks requires about 10 percent of the capacity of an MPEG decoder, found in every DVD player. The same is true if the burden is measured in circuitry: It's about 10 percent of an MPEG decoder chip. Macrovision's Belinsky puts the monetary cost at about $US0.25.

"The processing burden of detecting watermarks will be imperceptible to the user," asserts Bruce Davis, president and CEO of Digimarc.

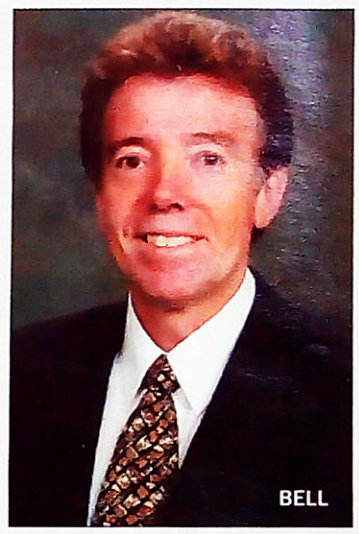
That's the type of performance, and cost of it, that consumer-electronics and computer manufacturers want. Indeed, IBM's Bell notes that any watermarking scheme has to have about that impact in order to be successful in either the consumer or computer space.

THE WINNER IS...

Nobody on the CPTWG expects watermarking to prevent copying. Instead, the idea is to prevent consumers using legal machines from having the chance to make pirate copies of programming.

"The whole point of these technologies is really to keep honest people honest and put up a barrier sufficient to deter most people who would otherwise want to make extra copies or violate the copyright," notes Macrovision's Belinsky.

That goal is common around the world, because consumers generally share the same habits. Part of Macrovision's core business is videocassette copy-protection technology. As such, the company has surveyed consumers worldwide about their attitudes toward copying. Belinsky reports that about a third of all consumers believe they're entitled to make, and possibly give away,



copies of a movie or event they've paid to watch. This is despite any freely entered-into legal agreements and fairly strong legal protections in both the United States and Europe.

Such attitudes have movie studios running scared, and, combined with the impossibility of building an impregnable system, have CPTWG participants resigned to the fact that some illegal copying will occur.

A decision on which watermarking proposal will become the standard is expected by the end of this year. However, for all the powerhouse companies involved, the CPTWG is not a standards body. The watermarking proposals are being evaluated by the DVD Copy Control Association for use in DVD movies, under the guidance of Japan's Matsushita Electric Industrial Co. Ltd. That group could pick an individual winner, or choose to combine the best features of both approaches.

And while these evaluations cover only DVD movies, it's likely to have a much more profound impact. As IBM's Bell notes, "It will probably become a de facto standard, but from a formal point of view, it is simply being selected by the licensees of the DVD-encryption technology." ■

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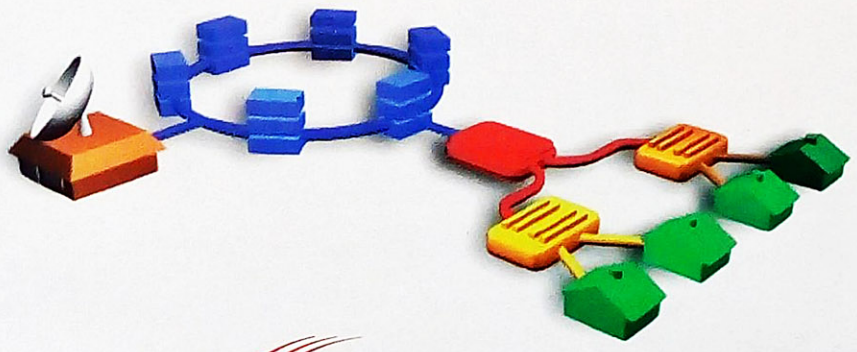

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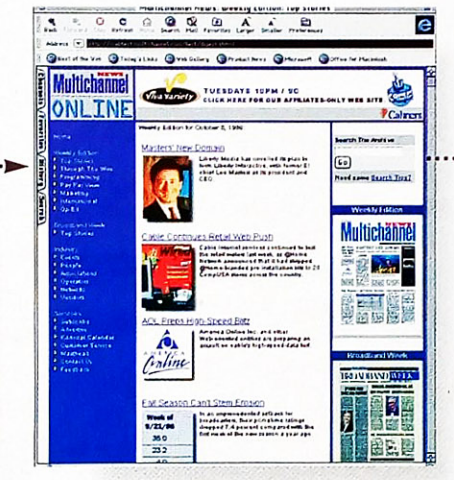

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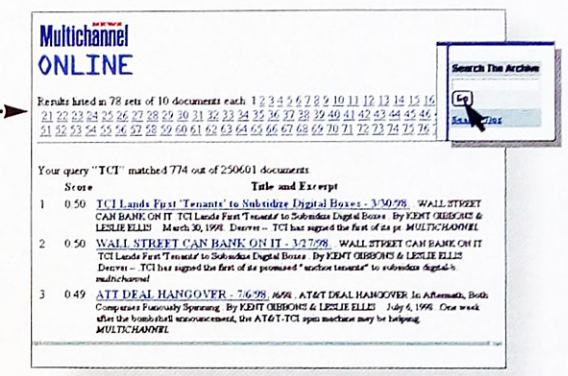
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Access,

Continued from Page 23

ty interconnection is called. More ominously for cable-TV operators, CAIP also complained vociferously to the Canadian Radio-television and Telecommunications Commission (CRTC), which regulates Internet access.

Canada's cable industry is furious. What appears to bother it most is that regulations are being imposed while technical trials of interconnection are underway in Montreal. These trials are being staged by multiple system operator (MSO) Le Groupe Vidéotron Ltée. and ISP UUNET Canada Inc., with the help of Cisco Systems Inc. Scheduled to wrap up in mid-2000, the three-phase process is aimed at ironing the bugs out of interconnection.

The first phase is currently underway at Vidéotron's labs, says Michelle Beck, vice president of technology at the Canadian Cable Television Association (CCTA). In this phase, the actual physics of interconnection are being checked "to ensure that the design was sound, [and] that it would be capable of supporting the high-speed rates," she says. During the second phase, the debugged interconnection model will be tested at Cisco's labs, "to ensure that our designs are capable of scaling." Finally, in the third phase, interconnection will be tested "in a live network," says Beck. "We're still working at defining that."

As far as Beck is concerned, numerous technical issues must be addressed before interconnection can be proclaimed a done deal.

For instance, one CCTA priority is to base third-party access on the Data-Over-Cable-Service Interface Specification (DOCSIS) standard. Another is to ensure that Canadian cable-TV networks will work properly with equipment from different vendors. The CCTA also wants to guarantee that cable-TV signals won't be degraded, and that no glitches will emerge after interconnection has taken place.

Meanwhile, Guy Labelle, Vidéotron's director of Internet development, has concerns of his own. "The main challenge is to distinguish the traffic that comes from UUNET from our own traffic," he says. That may not be easy, he adds, because Vidéotron's cable modems were "not designed to handle traffic coming from multiple ISPs. But since the regulatory office in Canada wants this access to be open to competitive offerings, then we have to find a way." However, such a solution "is not available anywhere so far."

Of course, many of the challenges associated with open access could be resolved by having manufacturers design new equipment. But most manufacturers are based in the United States, where interconnection is still being debated, and aren't likely to develop products specifically for the relatively small Canadian market.

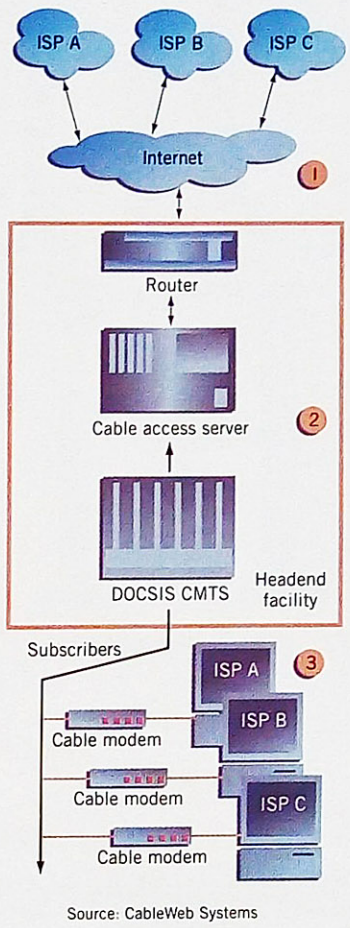
"From a technical perspective, it's not like this is being done all over the world, and the [Canadian] cable industry just has to look south of the border or somewhere to see how to do it," says Janet Yale, president and CEO of the CCTA. "This is the first time this has been done. Period. Anywhere."

Indeed, difficult technical and operational hurdles to interconnection could require more time and money to overcome. Alterations need to be made to both hardware and software to allow multiple ISPs to ride on the network. One concept, known as policy-based routing, requires an intelligent switching fabric that examines every packet header to determine from where it was sent it and to where it is going. A set of filtering rules would be needed to send the proper packets to the proper location. This complex level of "packet roasting" will take work to perfect, says Andy Audet, general manager of Motorola Inc.'s cable data products business unit.

"Supporting a limitless number of ISPs is pretty hard and is probably years away," agrees Paul Bosco, vice president and general manager of Cisco's cable and wireless business unit. He openly wonders who ultimately will have control of the different network pieces and parts to allow all to ride.

There are technical solutions on the way, however. C-COR.net, a cable-equipment manufacturer, is actively developing an "integrated-services-management system" that acts as a sort of referee to parcel out bandwidth, interface with software systems and manipulate various parts of the cable network, says Terry Wright, chief technical officer at the company.

Pennsylvania-based Cable Web Systems claims its software can already perform those functions. Company executives say the firm's bandwidth management, security and usage-monitoring software can parcel and adjust bandwidth needs on the fly, while identifying potential overloads by polling customer usage 56 times per second.



Source: CableWeb Systems

This architecture would enable multiple Internet-service providers, and not just one, to access a cable operator's broadband network.

With solutions apparently so close to being ready, why is the CRTC rushing to implement interconnection? Under the CRTC's rules, Canada's cable-TV operators knew back in 1996 that they would have to provide some form of open access, says CAIP president Jay Thomson. "They didn't appeal that to the courts," he states. "They knew what they were getting into."

At the same time, "more and more it appears that access is actually quite manageable," Thomson adds. "There are some practical examples, where smaller cable companies are already providing access."

He is referring to Regional Cablesystems, an MSO that serves 250,000 small-market subscribers across Canada. While the rest of the industry preaches delay, Regional has already opened its networks to ISPs — including AOL Canada — in three markets in the province of Ontario. "The model that we followed for our cable-modem deployment is actually the one that's being used by the CCTA," says Darren Rischer, Regional's manager of telecommunications. Regional may be following the CCTA's technical recommendations, but it's not offering its own high-speed service. It exited the ISP business because "our expertise is in delivering the actual infrastructure," says Rischer.

By mid-December, the CRTC expects Canadian MSOs to start reselling their high-speed service to ISPs, no matter where their interconnection trials stand. The CCTA's Yale argues that this will only distract the cable industry from working on solving the interconnection conundrum. And she doubts that the ISPs will substantially roll out services before resale is superseded by interconnection in 2000. Thus, "it's not clear to me that it's a great opportunity [for ISPs], when all is said and done," she says. ■

Com21 Tailors Cable Modem to European Standards

BY ROGER BROWN

Hoping to further capitalize on its success in selling modems in Europe, U.S.-based cable modem supplier Com21 Inc. last month unveiled its new data-over-cable system based on the Digital-Video Broadcasting (DVB) specification.

Com 21 took the wraps off its new offering at the European Cable Communications '99 convention in London. It's aimed squarely at European cable operators that intend to deploy hardware that conforms to the DVB-based specification released earlier this year by the EuroModem Consortium. The new DVB Cable Modem System includes a routing or bridging data modem and an interactive-network-adapter headend unit.

"European customers have wanted a DVB solution," says Buck Gee, vice president of marketing at Com21. When the EuroModem spec was released, "that caused us to believe it would happen quickly."

Last May, the EuroModem Consortium — a group of cable operators that banded together to develop a standard protocol for interoperable modems — issued a request-for-proposal for DVB products. That RFP, or tender, committed Consortium members to purchase 20,000 modems in 1999, some 50,000 more in 2000, and an additional 300,000 units in 2001.

Com21's DVB Cable Modem

Despite having a similar interoperable standard to choose from — the North American Data-Over-Cable-Service Interface Specification (DOCSIS) — European operators have almost universally preferred to go with the more familiar DVB standard. That's because most operators have already embraced the DVB video transmission standard, and European technologists prefer DVB as it more readily supports Quality of Service and the provision of multiple services.

The EuroModem RFP attracted 24 responses, with 13 companies named to the shortlist. From those that remained, Thomson Consumer Electronics and Com21 finished as the top two companies, according to Gee. "We thought we did very well," he says.

The next step for Com21 and other companies that plan to develop DVB-based modems is to test them in the field. "We're anxious to get into trials," adds Gee. He predicts that early prototypes will continue to be developed for the next few months, with "large quantities" appearing later next year. ■

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New Products

Video server

nCUBE has released the MediaCUBE 4, a video server that can scale from under 500 Mbps to 132 Gbps of sustained video delivery. The building block of the MediaCUBE 4 solution is the MediaHUB server, a compact computer containing all the components needed to operate as an independent video server, including hard-disk drives, output modules and a CPU. A single MediaCUBE 4 can deliver 516 Mbps streams and occupies only five standard rack units. Using nCUBE's scalable hypercube interconnect architecture, up to 256 MediaCUBE 4 units can be connected to function as a single computer (providing up to 44,000 simultaneous broadcast-quality video streams at 3 Mbps, with no content replication). By avoiding content replication, nCUBE customers can deploy very large content libraries using fewer hard-disk drives than previously required.

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CNR test system

Fast Bit Technologies has released its frequency-agile-carrier/noise-test system, the FB 2000A. The system exceeds the carrier-to-noise ratio measurement requirements for cable, cellular, satellite, terrestrial and other applications in the 5 MHz to 2.4 GHz frequency range. Five bandwidths of bandpass-filtered noise (BW = 6, 12.5, 25, 50 and 100 MHz) can be selected and centered anywhere in the 5 MHz to 2.4 GHz frequency band using frequency synthesis. The user can set carrier-to-noise ratios precisely in 0.1 dB increments. Two additional inputs are provided for interfering signals that are summed with the signal under test, allowing for setting precision C/I ratios for adjacent or image channels simultaneously with setting the CNR for the signal under test. The instrument's proprietary technology allows setting of high CNR at carrier power levels as low as -70 dBm, while maintaining a typical CNR accuracy of +/- 0.1 dB.

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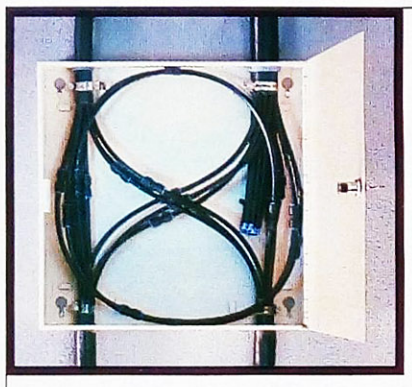

Tube-distribution units

Sumitomo Electric Lightwave has announced its new FutureFlex Tube-Distribution Units (TDUs) in several sizes and mounting styles, including wall-mount, rack-mount and custom. The TDUs are designed to replace conventional fiber-splice connector hardware at network transition points, such as in telecommunications closets, hubs and other branching locations within the FutureFlex Air-Blown Fiber Optic Cabling System.The wall-mount TDUs are heavy-duty cabinet enclosures fabricated in 14- or 16-gauge cold rolled steel, depending on size. The enclosures are available in three standard sizes to support low to high cable-tube density.

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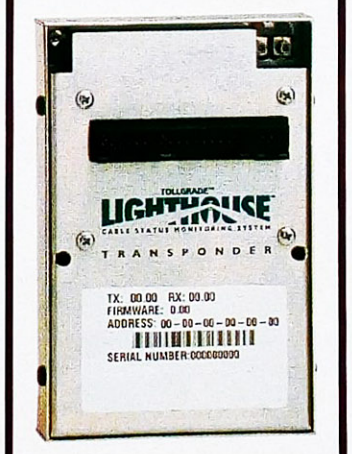
Transponders

Tollgrade Communications has developed a new series of transponders as part of its Lighthouse Cable Status Monitoring System suite of products. The transponders are designed for installation, as appropriate, into fiber nodes that include the Antec Laser Link LLRX 200; the Antec Laser Link LLRX 350; the Antec Laser Link LLRX 400; the Antec pedestal node; and the Antec pedestal amplifier node. The Tollgrade transponder is a monitoring device for installation into hybrid fiber-coax systems for monitoring and controlling network elements.Depending on individual unit and specific compatibility factors, the transponder is dynamically frequency-agile in both directions, from 5 MHz to 35 MHz for the return path transmitter, and from 50 MHz up to 135 MHz and 750 MHz for the forward path receiver.



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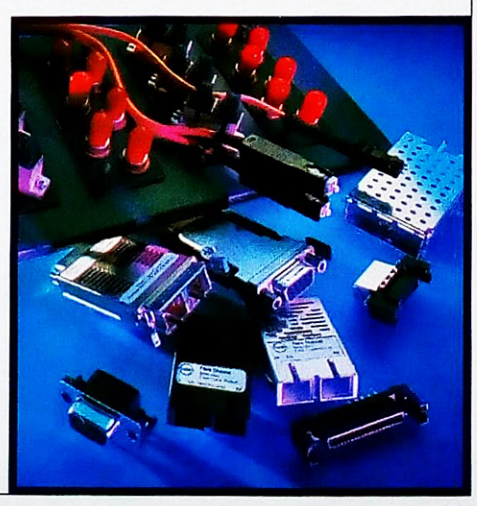
Interconnect system

Molex has developed a new Fibre Channel interconnect solution. The high-performance interconnect products, which include copper and optical components and cable assemblies, meet stringent standards that enable 1 Gbps data transfer rates.The Molex products can be used to connect an entire system, from storage devices to SAN/LAN cabling distribution frames to local area networks and even to the desktop. Design features include shielded GBIC connectors, guide frames and modules that reduce EMI.



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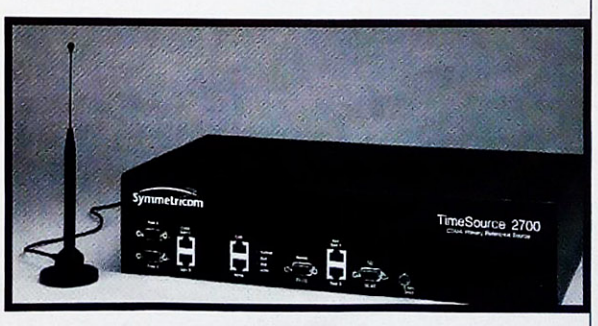
Synchronization

Symmetricom's new TimeSource products bring synchronization solutions to cable telephony and digital-video applications, enabling cable operators to deploy economical solutions allowing Quality-of-Service metrics that meet or exceed the precedents set by the Bell Telephone System, according to the company. The TimeSource products include precise time reference from the national clock, with an integrated BesTime clock for accurate time reference and frequency stability.
All of the products feature Symmetricom's patented multiple input, frequency-locked loop clock engine, BesTime, which "groups" available timing inputs to provide robust performance.



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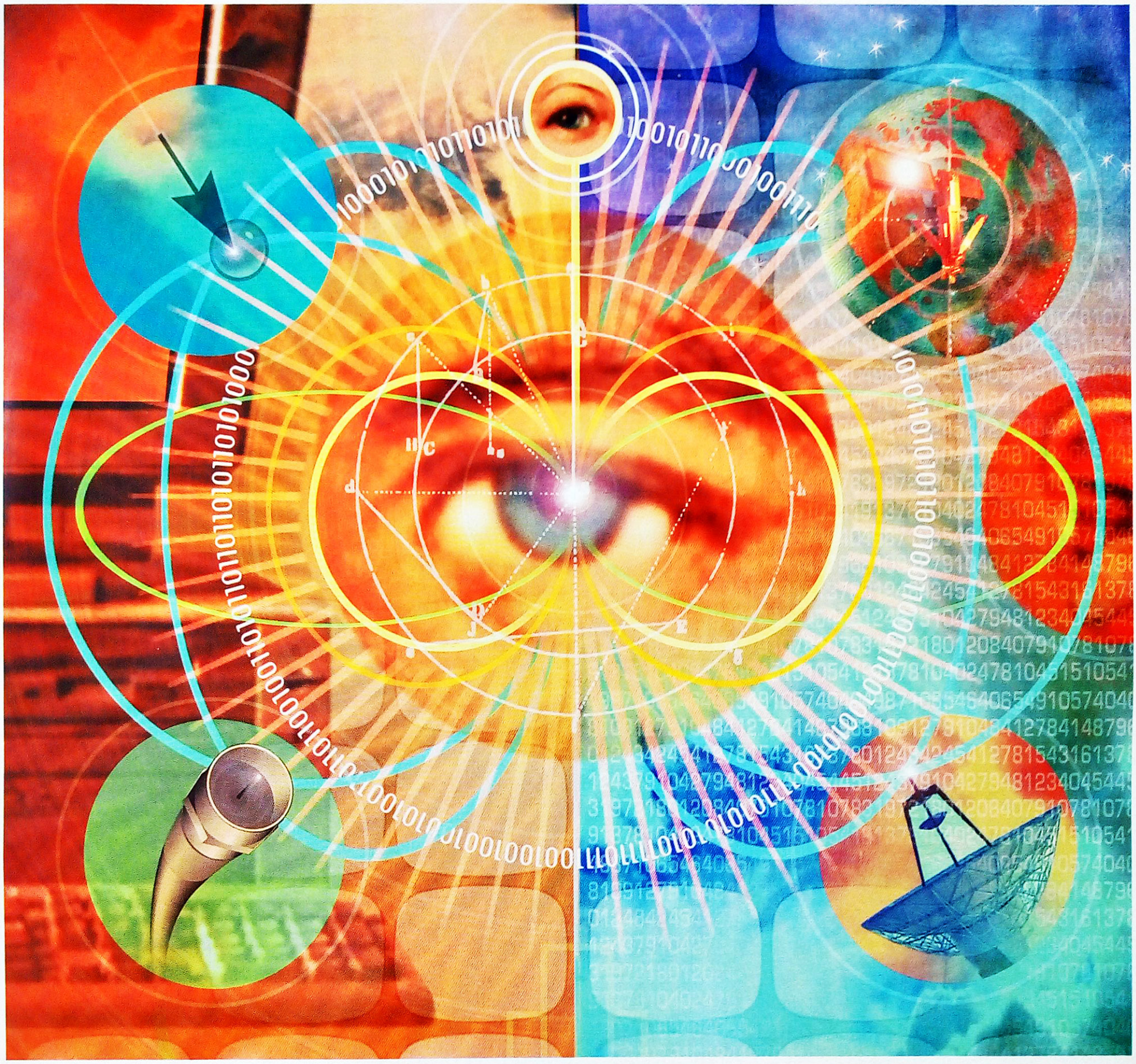

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Y2K,

Continued from Page 23

dors, along with the local utilities they rely on for power, aren't Y2K compliant, and won't be when the New Year arrives, causing disruptions in service and halting production.

"Our biggest risk is product failure," says Anthony Dixon, secretary and legal director for Pace Micro Technology plc, the U.K.-based manufacturer of set-top boxes. "From a risk-assessment point of view, we've analyzed our external dependencies, and that's most important to us. We need assurances from other suppliers."

Those assurances, Dixon says, are elusive and vary greatly. "Generally, we've seen cooperation, but some cooperate more than others," he says. "Some just want to do some box-kicking exercises and aren't very helpful. Our only level of comfort comes from personal visits and a rolling three-year program."

Pace, Dixon explains, addressed the Y2K issue two years ago, with a formal strategy — one that he insists is working, albeit with some rough edges. "Our key focus was to standardize a response to people, and make them responsible," he says. "We did it by forming functional Y2K teams and putting statements on our Web site. But no one can guarantee Y2K compliancy."

Through it all, however, lessons are being learned from the Y2K exercise, Dixon admits, noting "The lesson is for better risk management. But it has also given us the opportunity to demonstrate our technical expertise."

For multi-service providers such as CableEuropa and its ONO cable systems in Spain, many of which are still under construction, the Y2K lesson is ongoing. "We've taken into account the Y2K effect on all of our contracts with suppliers, including equipment, software and services. We've made it a requirement for all vendors to certify their equipment, software and services supplied to be Y2K compliant," said Angel Muñoz, Y2K project coordinator for CableEuropa.

The company, Muñoz notes, recently participated in Spain's Y2K tests, conducted in July by the Ministry of Industry and Telecommunications. "We tested the switching systems to ensure correct service of emergency phone numbers and commercial numbers, and they were successful," he says.

The company, he adds, is following its formal Y2K plan, established last year, which calls for the testing of equipment, systems, software and contingencies. "The equipment and software manufacturers are helping with system certification, supporting updates and tests with advice, and with resources and equipment to help integrate our contingency plans," he says.

France-based Canal Plus S.A. also has a detailed Y2K strategy. "We have attached a top priority to the Y2K planning process, and have set up a rigorous plan of work for the conversion of our infrastructures and internal systems," Canal Plus spokesperson Isabelle Aoustan says.

"The billing systems are most critical, and that's where we have done the most intense testing."

— Jay Wildes, Y2K project manager, UnitedGlobalCom Inc.

The company's overall Y2K operations and regular reporting, Aoustan notes, "are the responsibility of a coordination cell directly attached to the presidency of Canal Plus."

She adds that the company will require all of its vendors to supply specific Y2K information. "We have requested our external suppliers, and all firms which we have commercial dealings, to provide guarantees for Y2K conformity."

Though guaranteeing Y2K compliance will likely prove difficult, assessing critical equipment that is most vulnerable to the Y2K bug, and testing it, is crucial, experts say. That's especially true at large multimedia companies such as NTL Inc., the United Kingdom's biggest cable and broadcast-transmission company. "We have nearly 100,000 items of equipment just on the broadcast side, and several acquisitions with Y2K plans in place, so we merged our Y2K plans into a business-continuity plan, and spread out the testing. It's been very helpful," says Nigel Milchem, director of group internal audit for NTL.

With the sheer size of NTL — its services include broadcast and cable TV, telecommunications, satellite uplinks and emergency systems — managing its Y2K strategy is an ongoing challenge. Says Milchem: "We're confident there will be only a few failures, but we also respect operational systems like billing, which we are still testing."

NTL's suppliers, Milchem adds, seem to be Y2K compliant as well, though there are still some working on the problem. "We ask for evidence of their test results, and we understand who the key suppliers are and have contacted them for coverage. A few have not been able to produce Y2K compliant results, so we don't use them anymore," he notes.

Certain suppliers, Milchem adds, have a different agenda regarding Y2K. "Some companies have tried to sell unnecessary upgrades using the Y2K issue," he says.

Many companies have been forced to look deeper into their operations during the Y2K exercise. "The Y2K project has given us a lot of added value," says Milchem. "For example, we needed to identify all the equipment

WHEELER

and what we were responsible for in our emergency-services section, which we acquired. Plus, our strategic approach to Y2K has brought together several different parts of the company as one group."

The Y2K risks and strategies for international-programming services such as the International Channel, however, differ from those of manufacturers and system operators. In many cases, international program providers are at the mercy of regional production companies and local-content providers, and are approaching the Y2K issue more from a product-inventory standpoint than from the production or distribution view.

"Our risk is dealing with international providers with 24-hour satellite feeds," says Scott Wheeler, senior vice president of network development for International Channel Networks. "So, our exposure to Y2K is when our feeds may not come in from our global programming services like TV 5 in France, RAI in Italy, ART [Arabic Radio & TV] and others via satellite. We've asked for product inventories and what they are doing regarding Y2K, and are working with worst-case scenarios."

With the International Channel drawing from several different programming sources around the world, challenges remain for the network. Says Wheeler: "We deal with lots of different sized companies and cultures, so we have to have alternative programming, since our biggest exposure is not receiving programs from the 24-hour networks. But our traffic and operations people are well versed in switching to other programming, and we're keeping our fingers crossed that everyone else is doing what needs to be done."

Cable Television Laboratories Inc. (CableLabs), the U.S.-based cable and telecommunications research group, is helping to steer its member companies through the Y2K obstacle course. It is sharing valuable Y2K information via its Web site with cable operators, and has narrowed down its "crucial" Y2K priorities to four key areas.

The first is customer service, which includes signal delivery, service disruption, network management and workforce management. That's followed by customer care and billing, which includes bill issuances and access to functioning call centers. The third is cash flow, including payment processing, general ledger, accounts payable and accounts receivable. And fourth is employee health and safety, which includes payroll processing, pension-fund issues and building operations and safety.

Of these four critical areas, most global cable operators and telecommunications companies consider the billing system to be most at risk during Y2K. "The billing systems are most critical, and that's where we have done the most intense testing," says Jay Wildes, Y2K project manager for UnitedGlobalCom Inc., which owns cable systems worldwide.

In two years, Wildes said, UnitedGlobalCom has performed eight separate rounds of responses with its cable systems in Europe, Latin America and the Asia-Pacific region, and identified key areas of risk during Y2K. "Billing, headend-controller equipment [computers used with headends], customer-service representative equipment, financial software packages and computers were identified as critical items," Wildes says.

Despite the company's Y2K diligence, issues remain. Admits Wildes: "A lot of manufacturers have changed their statements about compliancy, because they weren't compliant. We've had to change our identification of this equipment to "conditionally compliant," which requires some type of human intervention to make it roll over to the new century. That sets us back."

For expanding companies such as UnitedGlobalCom, growth is a contributing factor to the Y2K issue as well. "We are still aggressively acquiring new systems and companies around the world, and don't feel totally comfortable yet with their systems. There are some gray areas," adds Wildes.

One example of a gray area, Wildes notes, is UnitedGlobalCom's recently acquired systems in Poland. "We haven't had enough time or people" to focus on Y2K problems, he says. "So, we have to hope it works. However, with our due diligence work for newly acquired systems, we have a Y2K supplement folded into the normal due diligence forms."

Ironically, many of the less sophisticated systems that UnitedGlobalCom has acquired present fewer Y2K problems. For the more sophisticated systems, however, Y2K work will continue. Adds Wildes: "We're still seriously testing important functions and still finding glitches. You have to take it in layers and keep moving down, then testing and repairing. There's still a ton of work to do."

Much of that work, according to Patrick Vertovec, a contributor to CableLabs' effort to solidify the cable and telecommunications industries' Y2K effort, will need to focus on antiquated systems. "Older, homegrown systems are a problem. They may continue to function, but they no longer continue to return expected results. Damage could build for months and no one would ever see it," he says.

Computer viruses, Vertovec continues, pose a problem as well.

At the end of the day, or in this case, the millennium, most companies are gaining confidence in their Y2K strategies. Power outages may very well occur, and services disrupted temporarily, but most agree there won't be major problems.

Concludes NTL's Milchem: "I believe nothing will go wrong. But don't discount the effect of civil disorder, especially in the U.K., where fireworks displays are planned." ■

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BLIPS ON THE SCREEN

Brazil,

Continued from Page 6

erhouse, Pluciennik isn't a Johnny come lately on that front. "Moysés has the most mature plan for data services" in Brazil, the executive says, noting that elements of that vision were seen as far back as three years ago, but usurped by external factors such as the delayed licensing process and economic troubles.

Pluciennik says he's spent a lot of the last 18 months cleaning house at the operations Globo Cabo acquired to fuel its growth. "Some had churn of 40 percent, and a 50 percent default rate on receivables," he says. Now, through better credit screening and focused marketing, that churn rate has been pushed down to about 20 percent.

At the same time, Globo Cabo's subscriber base grew slightly last quarter, after slipping over the previous year.

What's next? "The conditions are right for stronger clustering," Pluciennik says. "You don't just grow a cable company by adding more subscribers; you have to leverage your scale." If the economy gets back on solid footing, Globo Cabo could double its subscriber base over the coming years, with a franchise-penetration rate of between 35 percent and 40 percent, he adds.

In the meantime, some of his interactive goals are beginning to be realized. At last month's ABTA trade show in São Paulo, the company was busy pushing its Virtua high-speed Internet-access service. The Brazilian government this month is expected to pass legislation permitting cable operators to transmit two-way data services over their networks.

To push that business along, Pluciennik says he's in talks with a U.S.-based cable-modem manufacturer, trying to lure it to build its equipment in Brazil. At the same time, he's talking to some major Brazilian retail chains about selling cable modems directly to customers, and is in discussions with Banco Bradesco S.A. — Brazil's largest private bank and a Globo Cabo shareholder — about setting up some sort of consumer-financing package for the equipment.

Cutting import costs and getting as many expenses as possible off the corporate books is important for cable operators worldwide. But it's imperative in a country such as Brazil, where operators, and anyone else looking to deficit-finance expansion, are slaves to macroeconomic gyrations.

Some Brazilian cable executives say Globo Cabo shares the traits of its corporate parent, Organizações Globo, Latin America's biggest media company. Globo Cabo "is like a bulldozer — powerful and slow moving," says one exec, who adds that he thinks a lot of the future growth in Brazilian cable will come from smaller, more agile players and upstarts. However, another adds that Globo Cabo is shedding its parent's bunker mentality.

It's certainly taking TV-centric Globo into new terrain. Pluciennik wants to provide telephone service over Globo Cabo's network, and expects to bring a multinational telecommunications provider in as an equity partner "in the near future." All of this suggests that Pluciennik will be in the spotlight for the whole Latin American region, let alone Brazil, for some time to come. ■

Amzak,

Continued from Page 6

cluding one of the country's top systems, Cable Color. It bought three in El Salvador that were absorbed into a system that is also called Cable Color.

The El Salvador systems are smaller than those of its competitor there, Cablevisa. But Cablevisa officials don't underestimate Cable Color's potential. Amzak "did a good job of upgrading their networks," says Cablevisa director Alvaro Salazar, referring to Cable Color's move to a 750 MHz network. The upgrade wasn't just in response to cable rivals. "There was also pressure on that score with the arrival of the direct-to-home satellite-TV service, DirecTV," comments Humberto García, general secretary of Tepal, the Latino-focused trade organization. Central American "cable companies have had to upgrade and bring in fiber optics."

El Salvador's Amnet

It takes special kind of business savvy to work in a region that still has something of a Wild West air about it. But Kazma, the son of the father-and-son duo, has shown his pioneering spirit several times over. His company's first southerly cable investment was in 1992 on the island of Aruba. Venezuela was the next port of call, where Amzak bought, and later sold, a system called Infotel that is today among the country's three largest cable players.

But it is not just about cable. In many of its markets, Amzak is rolling out a full range of video, voice and data services. In El Salvador, it will soon offer local telephony and links to a long-distance carrier. And in Costa Rica, it has an Internet joint venture with the government, with the duo expecting in the first six months to sign up 3,000 customers, who will pay $US200 each for cable modems.

While many of the endeavors are state-of-the art projects, there is still something to be said for focusing on good old-fashioned bill collection. That's probably Amzak's biggest challenge, Kazma says. It is tough to extract cash from people who don't have a whole lot to spare. The answer, says Kazma, is to have "armies" of collectors, who go out and bang on the doors every two weeks on payday. "We have an army of collectors on motor-scooters, about 30 people in each country," he says. Another characteristic of doing business in the region is the high population density. "While you might pass 5,000 to 6,000 homes in the U.S., in El Salvador you might pass 15,000. The density there is unbelievable," he adds.

He has also been impressed with the large pool of highly educated Central Americans he can employ. That is largely due to the significant numbers of people who left their homelands during the war-torn 1980s and 1990s, only to return with a United States college degree. The territory is surprisingly sophisticated in other ways. In telephony, Kazma says it is cheaper to go out today and buy state-of-the-art equipment in Latin America rather than pick up refurbished telephony hardware.

Because of that, advancing to new technologies sometimes occurs at a faster pace than in the U.S, says Kazma. It just goes to show that a company with a name spelled backwards — operating in an area of the world that may seem backwards as well — just might be a step ahead. ■

Swiss Survival,

Continued from Page 6

ably." Much the same sentiment comes from Zurich-based Cablecom Holdings A.G., operators of the giant Cablecom cable system. Spokesman Ingo Buse says the station was a welcome addition to Cablecom's bouquet. "It's Swiss, it's national, and there are very few free local stations here," he says. "But our ad-market is not that big, and even TV3 will have to work hard to gain commercial success."

One big leg-up for TV3 is Switzerland's substantial cable coverage. Thanks to that, TV3 has access to some 1.81 million households at present.

Switzerland's tardiness to enter the tough world of private TV is wholly understandable. First, the country is split geographically by language. German dominates with 2 million TV households out of a total of 2.2 million, while French and Italian make up the balance.

The German-speaking Swiss are bombarded by a total of 24 other German-language channels. Switzerland's public broadcaster — which accepts ads — is the current market leader with its SF-1 and SF-2 channels taking a combined 32.5 percent audience share. Tele24, a commercial, yet regional and news-oriented channel, which debuted about a year ago, has a 2.9 percent share. All the other stations are Germany-based, with RTL and ProSieben leading the pack.

It was hardly a coincidence that just before TV3's Sept. 6 debut, RTL and ProSieben both launched two-hour program blocks specific to Switzerland. They clearly have an eye on the country's booming TV ad market, which is expected to grow 10 percent in 1999, following on expansion of 5.2 percent last year. There's more: The 10 percent growth rate is, naturally, an average of all channels and hides an even tastier number. Private TV channel ad revenue (from the likes of RTL and ProSieben) is growing at a rip-roaring 27 percent a year in Switzerland.

SBS and TA-Media are determined to take a slice out of this pie and have created an unashamedly populist portfolio of programs with a high commitment to local production. And local shows, whether news, quizzes or chat shows, will be in the local Swiss-German dialect, spoken by everyone. That's considered crucial in order to beat the imported German channels, according to TV3 president Kurt Zimmermann. "It's tough making money in a market where you have 24 competitive free-to-air channels," he says.

Zimmermann's goal is to quickly capture 10 percent to 15 percent of TV advertising spending, and his business plan calls to break even in three to five years. TV3 is also aiming for a 10 percent to 15 percent market share of the sought-after 15- to 49-year-old age group by the year 2001.

"We'll be very local, very news-focused, edgy and exciting," he contends. A journalist by training, Zimmermann also runs TA-Media's print division, which include the influential daily *Tages-Anzeiger* and the weekly *SonntagsZeitung*. And he has supervised TA-Media's diversification into electronic media and Internet services, as well as a film studio. "Switzerland is our concert hall, and we like to play on every instrument," he says.

TV3 has budgeted $US40 million for programming, and stolen some major celebrities from public TV. So far, it has bought mostly non-news programming — *Expedition Robinson* was a format-licensing deal — but in time it sees itself establishing its own production facilities to create shows.

Zimmermann believes TV3 will gather momentum because "TV3 is a Swiss channel. SBS has experienced the same result in the Netherlands, Flanders [Belgium] and elsewhere. People prefer to see local channels." ■

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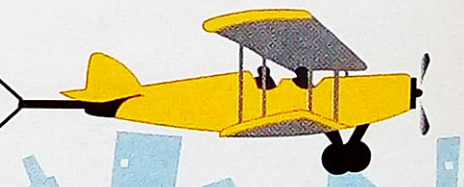

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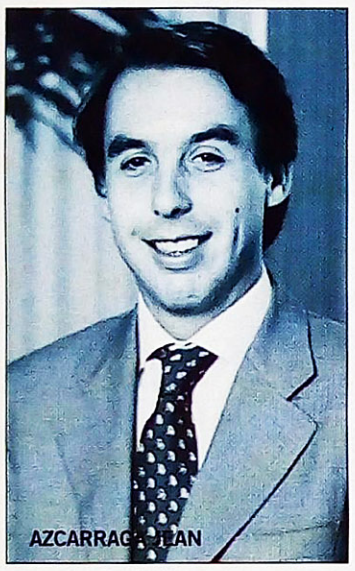
Televisa,

Continued from Page 19

than 350,000 subscribers, while DirecTV in that territory has about 150,000.

Nevertheless, Sky Mexico will have to attract between 500,000 and 550,000 subscribers to break even, company executives say. They add that they hope to do this by next year, though independent analysts believe this is an overly optimistic target that will probably take several more years to reach.

There's no question that Televisa is putting some heavy artillery behind DTH. After all, it is pouring $US100 million per year into this unit, on top of its initial in-


AZCARRAGA TAN

vestment of $US500 million, according to Christopher Recouso, a Latin American media analyst for Bear Stearns Inc. However, in line with its cost-consciousness, the company has deleted from its lineup some pay TV channels that were deemed just too expensive. According to sources inside and outside the company, that was the rationale behind Televisa's decision to close down several channels specific to Sky earlier this year. Nevertheless, some have questioned whether Televisa still considers Sky its favorite pay TV child, at the expense of cable.

"Cablevisión has always been a small business to [Televisa], while [DTH] has always been an aspiration of theirs," Recouso says. He contends that Televisa is pushing the choice A and B demographic groups toward Sky and "underutilizing" Cablevisión. And he sees both large and small evidence of that — from the vast sums of money Televisa has sunk into Sky, to the lack of consistency in Cablevisión's programming lineup. The system chops and changes its channel offerings with a regularity that frustrates subscribers.

Customer service has never been its strong point. Indeed, not so many years ago complaints about Cablevisión's appalling lack of service littered the letters-to-the-editor page of *The News*, Mexico City's English-language newspaper. While the service is much better today, it still has a reputation for being unreliable and sloppy at times. Perhaps Cablevisión's status as the only hardwire cable operator in the nation's capital has something to do with that.

This much is for sure: After three decades in business, Cablevisión has managed to lure only 350,000 subscribers within the Mexico City metropolitan area, home to more than 23 million people.

This fact is not lost on Carlos Sánchez, director of cable-channel operations at Productora y Comercializadora de Televisión S.A. (PCTV), a body that groups most of the country's cable systems operating outside of Mexico City. "If anyone from [PCTV] had the cable license for Mexico City, they would double the number of subscribers Cablevisión has now," he boasts.

This lack of growth is made more remarkable by the fact that Cablevisión has consistently been one of Televisa's top-performing divisions, although it represents little more than 3 percent of the company's total sales.

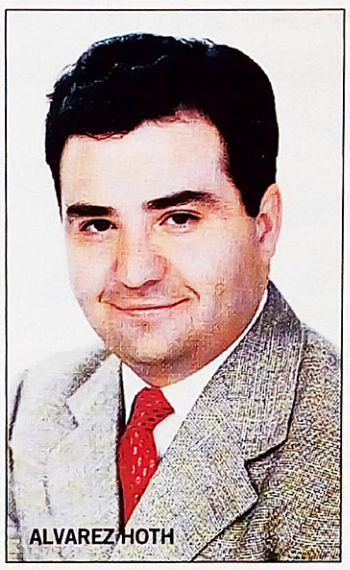
"Despite all of Cablevisión imperfections, it has still been able to achieve profit margins of between 30 percent and 40 percent," says Recouso.

He notes that cable has more mass appeal than Sky, which targets a wealthier demographic. "Once [Televisa] has sold [DTH] to the cream of the crop, where do you go after that?" asks Recouso. "Look at the demographics over the next three to five years. How many rank-and-file Mexicans can really put down over $US100 to get DTH, and then pay $US30 to $US40 per month for programming on top of that? I just don't think that they have the juice; they don't have the money."

Nevertheless, some of the latest plans recently revealed by Cablevisión's Vázquez indicate that Televisa is thinking more seriously about cable than ever before. And the Internet is one powerful reason for that. In Telmex, Cablevisión already has a telco through which to exploit this technology.

And Telmex's backer, the formidable Carlos Slim Helú, has clearly demonstrated his appetite for investments in this area. Several years ago, he bought United States-based Internet-service provider Prodigy Communications Corp. In Recouso's mind, there is no doubt that "Telmex is plotting an Internet strategy. Slim's not going to sit by and watch other telcos like [Spain's] Telefónica all sharpening their pencils." Just last month, in fact, Telmex inked a deal with Microsoft Corp. to develop a Web portal business for the Americas.

Cablevisión plans to launch two types of Internet services. The first, slated for a December, is the Internet-over-TV service from WorldGate Communications, Inc., which enables subscribers to zap from cable TV over to the Web and back. For this they need a set-top box, and Cablevisión is rolling out General Instrument Corp.'s DCT-2000 and DCT-5000+ models. While the company has yet to price the higher-end DCT-5000+, the DCT-2000 will cost subscribers about $US100, a


ALVAREZ-HOTH

monthly rental fee of between $US7 and $US8, plus a yet-to-be determined fee for Internet access, says Vázquez.

Aside from offering the Internet, a digital box will also enable Cablevisión to offer interactive games, and, of course, more channels. As part of its negotiations with programmers, it has a letter of understanding with 20th Century Fox to place the English-language Fox News Channel on one of its new digital tiers.

Vázquez adds that by the second half of next year, Cablevisión intends to roll out cable modems.

Some observers wonder whether Televisa and Telmex can work well together on the Internet. For example, Telmex might be more interested in developing Prodigy, the Internet business that it controls, rather than something on its only part-owned Cablevisión. Speculation also abounds over whether Televisa agrees with the telco's apparent desire to eventually spin-off the Internet side of its Cablevisión investment. Then again, there has been little indication that cracks are emerging in the alliance.

On the contrary, earlier this year Slim strengthened his ties to Televisa, when his Grupo Inbursa finance arm bought a 24 percent stake in the broadcaster's largest shareholder, Televicentro. However, this investment has been widely perceived, and described by Inbursa executives, as a purely financial undertaking that in no way involves managerial participation in Televisa.

It has been a different story at Cablevisión, where Telmex has played an instrumental role at the top. Vázquez's predecessor, José Formoso, was brought in from Telmex to helm the company, where apparently he was responsible for, among other things, revamping and enlarging its advertising department. In many ways, Cablevisión is an extremely desirable property. As it can still largely be afforded only by Mexico's wealthy residents, it connects some of the best households in the capital. Given that scenario, it is surprising that it has hooked up only 350,000 subscribers, despite passing some 1.2 million homes with its network.

But, according to Vázquez, the drive is on to sign up new subscribers. The target by 2004 is to increase its customer base to 750,000 subscribers, expand the reach of its operating network by 3,500 kilometers, and upgrade at least 51 percent of its network to bidirectional 550 MHz plant. Obviously this is partly to facilitate the rollout of high-speed Internet services, as well as improve the quality of its video signals.

There is another reason raised by J.P. Morgan Latin American media analyst José Linares. And that's the incentive to create a larger subscriber outlet for its programming. "Because Televisa sells [its programming] to both DTH and Cablevisión on a per-subscriber basis, they have to reach a critical mass of subscribers, so growth in this area is crucial," says Linares. He adds that because 90 percent of the company's pay TV sales in this sector are in Mexico, it makes sense for it to expand as a distributor in that territory.

"[Televisa] is going to start [cable-systems] acquisitions in Mexico," Linares says. It is not something that Vázquez denies. "No, it is not just wishful thinking," he says with a smile. On the other hand, he notes, no firm deals have yet materialized.

It appears that Televisa wants all its bases covered, whether on the ground with Cablevisión or in the heavens with Sky. And the cable business is attempting to shrug off its image as a poor little Cinderella. After decades of sweeping cinders by the fireside, it is being prettied up, pampered and prepared for a ball. Whether it actually makes it there is, well, another story. ■

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ONE ON ONE

The Future of VOD

Jo Dallas Speaks With David Zucker

Since we last left off with David Zucker in this column, he has gone through some major changes. In mid-1998, he was senior vice president and managing director of ESPN International, with responsibility for the company's 21 networks that reach more than 157 million homes in 180 countries.

Today, he is working for a very different kind of operation. In February, he became president and CEO of a young company called Diva Systems Corp., an acknowledged pioneer of video-on-demand (VOD).

Based in the heart of California's Silicon Valley, Diva began its commercial rollout two years ago, but it has aggressive plans to expand internationally, as evidenced by its first international deal this September with the United Kingdom's leading cable company, NTL Inc.

Diva was founded by the entrepreneur and industrialist Paul Cook, who's now in his 70s. Although he is still very much an active strategist at the company in his position as chairman of the board, it was felt that new blood was needed to take the business to the next level. Zucker, 37, was the young buck hunted down for that role, and was chosen precisely because of his solid background in international pay TV.

In the following edited interview, Zucker explains his career move, why VOD is only now coming of age, and what this technology can do to give the cable industry a competitive edge over its rivals.

DALLAS: Why the switch from ESPN to Diva?
ZUCKER: I've always been a big fan and believer in video-on-demand and digital-television applications. I'd been following them closely, and the opportunity came up to take over the reigns of the leading technology player in VOD, as well as the whole interactive-television area. So, I thought it was a good opportunity to grow with the next big development in television.

DALLAS: Does NTL represent your first international deal — i.e., outside of the U.S.?
ZUCKER: Right now, we have over 50 months of in-the-field operating experience. We've had over 100,000 buys to date. And we are essentially the only commercial deployment of VOD in North America. So, we've been looking at the international market for some time now. And NTL, with its recent moves, is exactly the kind of company that made the most sense for us to align with for an initial foray into international.

DALLAS: Can you elaborate on that?
ZUCKER: Well, if you look at the United Kingdom, at [British Sky Broadcasting Group plc] and the historical penetration they have achieved with DBS [direct-broadcast satellite], it's actually more critical for the cable operators to leapfrog them with the technology and a consumer application that DBS can't do. DBS can't do true VOD.

DALLAS: To what extent was NTL's interest in Diva based on this need to leapfrog the DBS competition?
ZUCKER: There were a handful of reasons why they went to Diva, among them was certainly our track record of experience, which is unmatched. We are extremely well funded, and we have a commitment to open interfaces and interoperability.

Also, we will be announcing shortly a new server, which will have the smallest footprint and lowest power requirements in the industry. Finally, we offer an end-to-end capability to get them up and running quickly; a time-to-market advantage.

DALLAS: At the moment, the deal with NTL is based on the fulfillment of certain technical and other conditions. Can you talk me through the planned rollout?
ZUCKER: Essentially, the goal is to get an initial deployment into the field by end of the first quarter, or the beginning of the second quarter, of next year, and then begin a significant rollout across a big piece of NTL's systems from the beginning of August through the end of next year.

DALLAS: The concept of VOD has been around for some time, and yet there has been little commercial deployment. Why is that?
ZUCKER: The costs were prohibitive; it's that simple. I mean, you look back even to 1990, the cost to deliver just one stream of VOD essentially was $US20,000. When you look at Time Warner, when they were doing the full-service network experiment in Orlando, Fla., four or five years ago, you were still talking about a cost-per-stream of $US5,000. Diva is now deploying VOD with a stream cost of $US150, so, as you can see, the capital costs have come down dramatically. Now it is economical and cost-effective to roll out VOD, and Diva has been at the forefront in doing that.

DALLAS: What do you mean by "stream"?
ZUCKER: When someone purchases a VOD program, they're getting a stream of video, in our case an MPEG 2 video that needs to be a dedicated stream over the cable infrastructure. So when you look at a server, for example, that can spit out 2,000 simultaneous streams. Depending on your traffic engineering, that server can serve up to 20,000 to 25,000 customers simultaneously. You back into what is the cost if you divide the cost of that capital equipment by how many streams you can deliver. That's your cost per stream.

DAVID ZUCKER

TITLE:
President and CEO, Diva Systems Corp.

BACKGROUND:
Joined Capital Cities/ABC Inc. in 1988, and ESPN in 1991. Since 1998, served as executive vice president of ESPN and managing director of ESPN International. Joined Diva in February 1999.

STATISTICS:
37 years old; married; based in Redwood City, Calif. MBA from Harvard University and a degree in economics from Princeton University.

DALLAS: To what extent are programmers that specialize in basic channels, like Discovery Communications Inc., interested in offering their programming on an a la carte basis? I imagine that there is some resistance, given that with VOD they do not reach a guaranteed number of subscribers, and this affects their advertising.
ZUCKER: Well, it's not really a la carte. Typically, it'll be on some kind of subscription basis. So, for $US3.95 for the next month you get all the shark programs that come from Discovery. It's an add-on; it's an additive to the existing exposure and the distribution they get through their basic channel.

Discovery is a great example. We have found it most applicable with kids. We have a kids package, where you pay $US9.95 a month and you have an unlimited view of all the kids programming in the package. We have about 40 titles in the package. We swap out titles on a monthly basis, but as kids tend to watch the same titles over and over again, it's actually a very effective tool. We have found penetration rates of around 7 percent or 8 percent take-up, so that's a really good example of a subscription-on-demand.

DALLAS: Can you explain what you mean by 7 percent to 8 percent take-up?
ZUCKER: In other words, from our existing customer base, and again it depends on what kind of market you're in, but around 7 percent to 8 percent of subscribers actually elect to take the kids package.

DALLAS: What is the size of your potential market in the U.S., given that your system only works in a digital environment?
ZUCKER: By yearend, there is talk of between 4 million and 5 million digital subscribers. Looking ahead at 2004, the number grows fairly dramatically, north of 20 million.

DALLAS: Obviously, this is an issue in international, where digital is only just beginning. Can you list the size of your market, in terms of regions?
ZUCKER: Certainly the U.S. is going to lead. We're at the beginning of a very aggressive rollout of digital across the major cable operators in the U.S. And you are going to see the same thing in Europe. In the U.K., in the Netherlands, and looking at all the Benelux countries, France, Spain, and Germany, and other parts of Europe, and then Asia. Latin America is probably going to be the last to move in that direction. ■

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